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CONTENTS

	PAGE
FOREWORD.....	v
 <i>PART I. POPULATION GROWTH AND MIGRATION OF PEOPLES</i>	
POPULATION GROWTH AND ECONOMIC PRESSURE.....	1
Robert R. Kuczynski, Ph.D., The Brookings Institution, Washington, District of Columbia	
IMMIGRATION AND THE POPULATION PROBLEM.....	7
Henry P. Fairchild, Ph.D., Professor of Sociology, New York University, New York City	
THE ATTITUDE OF IMMIGRATION COUNTRIES.....	13
Edna Cers Macmahon, Formerly, Instructor in Department of History and Social Science, Hunter College, New York City	
 <i>PART II. INTERNATIONAL TRANSPORTATION AND COMMUNICATION</i>	
CONTROL OF INTERNATIONAL TRANSPORTATION AND COMMUNICATION..	23
Joseph P. Chamberlain, Ph.D., Professor of Public Law, Columbia University, New York City	
WORLD PEACE AND THE RIVALRY OF MERCHANT MARINES.....	33
H. B. Drury, Ph.D., United States Shipping Board, Washington, District of Columbia	
INTERNATIONAL BROADCASTING: NOW AND IN THE FUTURE.....	40
William S. Paley, President, Columbia Broadcasting System, New York City	
ELECTRICAL COMMUNICATION SERVICES AND INTERNATIONAL RELATIONS	47
Colonel M. C. Rorty, Vice President, International Telephone and Telegraph Corporation, New York City	
 <i>PART III. FOREIGN INVESTMENTS</i>	
THE REPARATIONS PROBLEM AND THE BANK FOR INTERNATIONAL SETTLEMENTS.....	53
Louis T. McFadden, Chairman, Committee on Banking and Currency, House of Representatives, Washington, District of Columbia	
INTERNATIONAL FINANCIAL COÖPERATION AS A FACTOR IN WORLD PEACE	65
Virgil Jordan, Economist, New York City	
BENEFITS AND DANGERS OF FOREIGN INVESTMENTS.....	76
F. Cyril James, Ph.D., Assistant Professor of Finance, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pennsylvania	
 <i>PART IV. COMPETITION FOR RAW MATERIALS</i>	
COMPETITION FOR RAW MATERIALS.....	85
William C. Redfield, Formerly, Secretary of Commerce of the United States; President, Brooklyn National Bank, Brooklyn, New York	
CONTROL OF EXPORTS OF RAW MATERIALS: AN INTERNATIONAL PROBLEM	89
Lynn Ramsay Edminster, The Brookings Institution, Washington, District of Columbia	
THE INTERNATIONAL ASPECT OF THE MINERAL INDUSTRY.....	98
Charles K. Leith, Ph.D., LL.D., Chairman, Department of Geology, University of Wisconsin, Madison, Wisconsin	
THE EFFECT OF EXPORTATION OF CAPITAL UPON THE COPPER INDUSTRY..	103
Frank C. Armstrong, New York City	
THE COPPER INDUSTRY: A REPLY.....	112
Colonel Percy E. Barbour, Mining Engineer, New York City	
 <i>PART V. COMMERCIAL POLICIES AND TARIFFS</i>	
COMMERCIAL POLICIES AS CAUSES OF INTERNATIONAL FRICTION.....	117
William E. Lingelbach, Ph.D., Professor of History, University of Pennsylvania, Philadelphia, Pennsylvania	

CURRENT TRENDS IN FOREIGN COMMERCIAL POLICY.....	126
Henry Chalmers, Ph.D., Washington, District of Columbia	
THE COMMERCIAL POLICY OF THE UNITED STATES IN THE LIGHT OF CURRENT WORLD DEVELOPMENTS.....	146
Wallace McClure, Ph.D., Department of State, Washington, District of Columbia	
COMMERCIAL POLICIES AND TARIFFS IN THEIR RELATION TO WORLD PEACE.....	154
Edgar B. Brossard, M.S., Ph.D., Chairman, United States Tariff Commission, Washington, District of Columbia	
 <i>PART VI. AN AMERICAN ECONOMIC POLICY</i>	
AN AMERICAN ECONOMIC POLICY.....	162
Alfred Pearce Dennis, Ph.D., LL.D., Vice Chairman, United States Tariff Commission, Washington, District of Columbia	
OUR ECONOMIC POLICY TOWARD LATIN AMERICA.....	167
W. W. Cumberland, Ph.D., Formerly, Financial Adviser, General Receiver, Republic of Haiti; Partner, Wellington and Company, members of New York Stock Exchange, New York City	
THE BASIS OF INTERNATIONAL COÖPERATION.....	179
Norman Thomas, New York City	
AN INTER-AMERICAN ECONOMIC POLICY.....	186
Dantès Bellegarde, Delegate of Haiti to League of Nations; Minister of Haiti to France, Paris, France	
 <i>APPENDIX</i>	
ECONOMIC TENDENCIES AFFECTING THE PEACE OF THE WORLD.....	192
Memoranda by Professor J. Bonn, <i>Handelshochschule</i> , Berlin, Germany, and Professor André Siegfried, <i>École libre des Sciences Politiques</i> , Paris, France	
 <i>SUPPLEMENT</i>	
FOREIGN LAND PROBLEMS	
Edited by Karl Scholz, Assistant Professor of Economics, University of Pennsylvania, Philadelphia, Pennsylvania	
INTRODUCTORY COMMENT.....	223
MUNICIPAL HOUSING DEVELOPMENT IN VIENNA.....	225
Emmy Freundlich, President, International Coöperative Women's Guild, Vienna, Austria	
PUBLIC GUIDANCE IN RURAL LAND UTILIZATION IN DENMARK.....	230
K. J. Kristensen, Statistician, Central Valuation Board, Copenhagen, Denmark	
LAND REFORM IN MEXICO.....	238
Frank Tannenbaum, Institute of Economics, The Brookings Institution, Washington, District of Columbia	
DEVELOPMENT OF POLISH CITIES IN THE PERIOD FROM 1918 TO 1930.....	248
Edmund Dunin, Architect; Secretary in the Office of the Building Committee, Warsaw, Poland	
PUBLIC GUIDANCE IN LAND UTILIZATION IN CZECHOSLOVAKIA.....	262
Antonín Pavel, State Land Office, Prague, Czechoslovakia	
INTERNAL COLONIZATION IN GERMANY.....	273
Dr. Rudolf Lerch, German Research Institute for Agriculture and Land Settlement, Berlin Division, Berlin, Germany	
POLISH AGRICULTURAL LAND ORGANIZATION SINCE THE WORLD WAR....	288
Dr. Wacław Ponikowski, High School of Agriculture, Warsaw; Head of the Statistical Department of the Association of Polish Agricultural Organizations in the Republic of Poland	
BOOK DEPARTMENT.....	294
INDEX TO SUBJECTS.....	320
INDEX TO NAMES.....	323

FOREWORD

BY THE

President of the Academy

DR. ERNEST MINOR PATTERSON

FOR a number of years the American Academy of Political and Social Science has devoted its annual meeting to a discussion of international affairs. This practice was continued at the Thirty-fourth Annual Meeting held in Philadelphia on May second and third, 1930. The addresses given at that time are presented in this issue of *The Annals*, with the addition of papers by Honorable Dantès Bellegarde of Haiti, and Colonel Percy E. Barbour of New York City.

There is also to be found in this volume a very valuable memorandum entitled "Economic Tendencies Affecting the Peace of the World." This was prepared by Professor André Siegfried of Paris and Professor J. Bonn of Berlin at the request of the Economic Committee of the League of Nations, and is now for the first time available to the general public. The officers of the Academy wish to express their thanks to the officials of the Secretariat of the League of Nations for their courtesy in permitting its publication. Emphasis should be placed on the fact that it has not been indorsed by the League of Nations and that nothing in it is to be construed as representing the policy or the opinion of any organ of the League.

There is also included a valuable series of papers on "Foreign Land Problems" which has been gathered under the editorial direction of Dr. Karl Scholz of the University of Pennsylvania.

The Thirty-fourth Annual Meeting was a most interesting and successful gathering. The officers of the Academy wish to express their gratitude to all who participated, and also to thank those whose generous special gifts made it possible to defray the expenses of the sessions.

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Population Growth and Economic Pressure

By ROBERT R. KUCZYNSKI, PH.D.

The Brookings Institution, Washington, District of Columbia

UP to the world war, practically all governments and the great majority of the people viewed a large and increasing population as an economic asset. The rise of the standard of living and of prosperity in general in countries like the United States, Germany, or Great Britain was largely attributed to the increasing number of consumers who, by their ever increasing wants, widened the outlets for more intensive and therefore more economical production in agriculture and manufactures. The growth in the number of consumers seemed to be a necessary prerequisite for the development of natural resources and for progress in every branch of business—real estate, transportation, newspapers, and so forth. France, as a rule, was quoted as a typical example of a country which economically, and therefore also politically, lost ground as a consequence of her stationary population.

Since the world war, several governments and the majority of the people have taken an opposite viewpoint. A large and increasing population is no longer considered an economic asset but an economic burden. Unemployment, poverty, wars, and many other evils under which mankind suffers are attributed to overpopulation; if there were fewer people there would be no need for territorial expansion, every one might find work at home, and every one might get a larger share of the social product.

EXPLANATION OF CHANGED VIEWPOINT

How is it to be explained that so radical a change of opinion has occurred

within so short a period and without a fundamental change in the economic system? The explanation is to be found, I believe, in the fact that many people have been drawing far-reaching conclusions from their more or less limited observations of the developments around them, and have been attributing cosmic significance to their own interpretation of the tendencies in population growth, migration, conflict of economic interest, and so on, which they think they discern. The fact is that the relations between population increase or decrease and economic pressure or relief are not so simple as such people are inclined to think.

Let me illustrate this by two examples. In the course of 1915, people in Germany began to realize that, as a consequence of the war, deaths increased while births decreased, so that there was no longer an excess of births over deaths. This, they argued, must have an immediate influence upon the demand for new lodgings. Prior to the war, there were each year 800,000 more births than deaths. Since there were on an average four persons per household, the Germans built, aside from replacements, 200,000 new apartments to accommodate the yearly population growth of 800,000. These people said, "What is the use of building new houses if the population decreases?"

People simply could not be made to see that their conclusions were perfectly absurd; that it is not a quartette of newly born children who take an apartment; that it is not the death of four soldiers which leaves an apartment vacant; that the demand for

lodgings depends mainly on the excess of newly created over dissolved households; and that the number of births and the number of dying soldiers has practically no influence upon the number of households created or dissolved. As a matter of fact, the number of households increased continuously during the war and Germany consequently had for many years a terrible lack of housing accommodations. The fact that there were so few births in 1915-1919 will be felt on the real estate market only around 1940, when the number of newly created households will be considerably smaller than heretofore and will in all likelihood for some years lag behind the number of dissolved households.

Another example. A few days before I sailed from Europe, in January, I attended a public meeting on birth control in Berlin. Unemployment had just then reached a peak and a well-known economist said he could not understand how, in view of such a state of affairs, any one dared to question the necessity of more birth control. The public could not understand it either, and applauded enthusiastically. A few days after my arrival in Washington, one of the most prominent American experts on labor problems said in a radio talk that people should not wonder at the large number of unemployed, in view of the ever increasing population.

EFFECTS OF BIRTH RESTRICTION

It evidently has escaped the attention of many otherwise clever men that it is not the newly born children who crowd the labor market and that it is only a small proportion of the deceased who create occupational openings by their death. I even venture to say that if one set out to increase unemployment in this country for the next fifteen years, he could find no more ef-

fective means than birth restriction on a very large scale.

Let us assume, for the sake of argument, that birth restriction should go so far that no child would be born in this country in the next fifteen years. What would be the effect upon the labor market? Certainly, not a single man would find work any more easily merely because no children were being born. As a matter of fact, the number of persons looking for a job would increase in the next fifteen years as in the past, because there would be more boys and girls reaching the bread-winning age than men and women quitting their jobs on account of old age, death, and so forth. The number of job-hunters might increase even more than heretofore, because many young women who, if they had children, would not work, might be looking for work if they had no children.

What is still worse, the number of people thrown out of employment would increase at a terrific speed. The industries catering to the needs of the youngest children would be the first to be ruined. They would be followed by those supplying the wants of the older children, and so on. All teachers would lose employment, and so forth.

It may seem at first sight as if the lack of children could not possibly reduce the national income and that, if the total purchasing power remained the same, industry as a whole would not be worse off. But, with the increasing number of unemployed, wages and salaries would necessarily drop so that the national income and the demand for goods would decrease after all.

Conditions might change again when, fifteen years from now, labor would become scarce because there would not be any young people to fill the positions then becoming vacant by reason of disability or old age, just as lodgings

would become vacant in Germany twenty years after the cradles were left empty.

Many more examples could be suggested; and doubtless instances have occurred to my audience of the same sort of far-reaching, yet essentially unwarranted, conclusions drawn from hasty interpretations of the effect of population trend. There is a connection between population growth and economic pressure; but it is not so simple nor so immediate as is generally supposed.

I remarked that the radical change in public opinion from a desire for population growth to a scare of overpopulation occurred without a fundamental change in the economic system. I do not mean to say that striking, even sensational economic events have not taken place in many countries in the last two decades; on the contrary, these events have occurred, and in most cases have occurred so unexpectedly as to upset accepted ideas regarding prosperity and depression, as well as regarding their causes. But these events have not happened for the first time; nor is it the first time that such events have aroused a great deal of apprehension as to the economic consequences of population growth.

People lose sight of the fact that population growth or decline must produce certain definite and predictable economic results, regardless of the events which occur from time to time in the economico-political world. Unless these events give rise to profound and lasting changes in the economic system—a thing which we cannot perceive for western Europe and America over the last two decades—they do not exert marked influence upon the economic effects of population growth.

WEST-EUROPEAN POPULATION TRENDS

It is still more surprising that this change in views occurred just at a time

when, in the countries concerned, the danger of overpopulation, if it had ever existed, had become quite fictitious. Population, it is true, was still increasing, but the rate of increase had slowed down. In Western and Northern Europe, for instance, where the population in the last decades before the world war increased by about one per cent a year, the present rate is only about half of one per cent. The rate decreased in spite of a considerable reduction of mortality, because the number of births decreased much more than the number of deaths. From 1881 to 1914, the yearly number of births averaged four and a half millions and the yearly number of deaths three millions; by 1928, the number of births had decreased to three and a half millions and the number of deaths to two and a half millions.

It may be objected that with a yearly growth of about one million, Western and Northern Europe, having already a population of 190 millions, might still become overpopulated in the course of time. But the present increase in numbers is no indication whatsoever of the future population growth. That births still exceed deaths by about one million is not due to present fertility and mortality, but rather to the fact that in the present population the proportion of women of child-bearing age is particularly large and the proportion of young children and old persons particularly small.

The present age constitution of the population of Western and Northern Europe tends to swell the number of births and to lower the number of deaths. But the present age constitution has been shaped by fertility and mortality as they existed in the last hundred years. There are now many women in the child-bearing years because 'around 1900, births were very

numerous, and there are now few old people because around 1870, many of the children then born died young.

Twenty years from now, the number of potential mothers will be largely determined by the small number of girls born during the last decade, and the number of old people will be largely determined by the high number of persons who are now between twenty and fifty years of age. With present fertility and mortality, the population of Western and Northern Europe may still increase for some time to come. But the increase will become smaller and smaller, and deaths will exceed births long before the age constitution of the population will correspond to present fertility and mortality. Once the latter stage is reached, that is roughly speaking, when there will be few women of child-bearing age because mothers now have few children, and when there will be many old people because mortality under sixty years has been so much reduced, the population will decrease by about as much as ten per cent in a generation.

UNITED STATES POPULATION

I do not care to weary you by quoting many figures. If any one of you wants more details, he will find them in a volume on *The Balance of Births and Deaths in Western and Northern Europe*, published by the Institute of Economics of the Brookings Institution. Since then we have extended our investigation to other parts of the world. We have not yet completed the study for the United States because we want first to see the results of the new census. In view of the large clandestine immigration and the large interstate migration that have taken place since 1919, this census may, for some states at least, reveal unexpected changes in the age constitution of the population, and may throw some light upon the de-

gree of completeness of present birth registration.

I can, however, say this much, as a preliminary result of our studies, that the reproduction of the population in the United States, in English Canada, and in Australia does not essentially differ from that in Western and Northern Europe. Population in the United States, then, will still increase for some time to come, but the increase will become smaller and smaller.

Many predictions have been made in the course of time as to the future population of the United States. I have not the ambition to join the ranks of the prophets. In fact, I find it difficult enough to predict the past, that is, to show why a certain event had to occur. But I can assure you that if the yearly number of births in the United States should permanently be about two and a half millions, as it apparently has been for a number of years, and if the expectation of life should continue to be about sixty years, corresponding to one sixtieth of the population dying each year, the future population will in the long run permanently remain at about 150 millions. This is no prediction; it is the practical application of a lesson which I was taught in elementary school, namely, that $60 \times 2.5 = 150$.

ECONOMIC RELIEF EXPECTED?

There is indeed no economic pressure to be anticipated from the trend of population as it prevails in Western and Northern Europe, in North America, and in Australia. Is there ground for the belief that we may expect economic relief as a result of the prevailing trend? We should be careful in drawing any such conclusion.

Who, after all, are the people most in need of economic relief in the United States? We are told that they are the farmers. But the plight of the Amer-

ican farmers consists in that they produce much more than the 120 million inhabitants of the United States can possibly consume. They find, of course, a partial outlet by selling abroad, but food exports are becoming more and more difficult on account of the large number of food exporting countries all over the world; and competition probably will become even more severe when Russia again emerges as an exporter of grain and when the population of Western and Northern Europe ceases to grow.

Even if immigration restriction should have benefited the American workingman and birth control should have benefited the American family as much as the most fervent advocates of immigration restriction and of birth control pretend, there would still remain the incontrovertible fact that the American farmer would be better off if there were now 130 millions within the Union instead of 120. He, for one, will indeed find no cure for his troubles in a stationary or decreasing population.

What are, then, the suffering groups which may anticipate an economic relief from the present trend of population? Is it the unemployed? Their number, it seems to me, can only be permanently reduced if production keeps better pace with technical improvement or if hours of labor are considerably diminished. But is it conceivable that production should increase faster than at present, if consumers increase more slowly than at present or even decrease? And is it likely that those employers, say in the steel industry, who thus far have found it profitable to have in their plants long working hours rather than short ones, will reduce the hours of labor just at a time when consumption is falling off and when competition will thereby become keener? Or will employers at

a time when consumption is decreasing, raise wages? As this again is not likely, we may say that a third group of great sufferers, the workers in the coal mines, in the Southern textile mills, and so forth, must not expect an economic relief from the present trend of population.

I may be asked at this point: how is it possible that fewer children would not mean a general economic relief when we see in daily life that those who have only, say, one child can afford a better living than those who have three or more children? My answer to this question is very simple. Mr. Smith, the real estate agent, is economically better off with one child than with more children as long as other people have more children. But if the rest of the community should have one child per family, Mr. Smith would starve, because there would be practically no demand for new buildings.

A man may live comfortably from a business which mainly depends on the increase of population even if he himself does not contribute to that increase; but he can do this only as long as others do not follow his example. It may seem at first sight as if real estate were an exceptional case. But is there any line of business in the United States that is not carried on upon the assumption that population will continue to increase?

POPULATION TREND MUST AFFECT BUSINESS

In concluding these few remarks, I am as much aware as any one else of their utter inadequacy. I have confined myself to the relations of population growth to economic pressure in the countries of Western civilization which after all contain hardly twenty per cent of the world's population; but even within this limited range, I have merely scratched the surface. All I have at-

tempted to do is to show you that these relations are complicated. They are not complicated in the sense that the methods required for their study are complicated. Those methods are quite simple; they do not demand a knowledge of economic theory or of higher mathematics, but merely an unbiased mind and some common sense.

The relations to which I have called your attention are complicated because social and economic life is complicated. Population growth has so often been denounced as the root of all evil, and birth restriction and other means to check population growth have so often

been praised as the surest method to secure general economic relief, that I thought it advisable to arouse your skepticism for once.

If the majority of the people in this country want a stationary or a decreasing population, they ought to have it, whether it means economic relief or more economic hardship. But leading men and women should realize that the trend of population, whatever direction it takes, is a serious matter, with far-reaching consequences, good and bad. With a change in the trend of population, business as a whole may improve or deteriorate; but one thing is sure—it will not be "as usual."

Immigration and the Population Problem

By HENRY P. FAIRCHILD, PH.D.

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THERE is nothing that has impressed me more forcibly in my attempts to understand some of the human relationships than the fact that there are many aspects of life which seem to present an extraordinary paradox in which the solution that seems to be indicated as right and helpful for the individual proves to be no solution whatever for society.

To cite a single illustration, let us take the problem of unemployment which is so prominent in the public mind at the present moment. In discussions of unemployment we often hear it said that the solution is to be found in increasing the productivity of the individual worker. This is true enough for the individual. If you and I are unemployed, the thing for us to do is to see if we can improve our economic efficiency and go out into the labor market with a better offering and get a job.

INDIVIDUAL SOLUTION UNAVAILING

However, the striking thing is that if chronic unemployment prevails, the improvement of the personal efficiency of the individual not only fails to solve the social problem of unemployment but may even make it worse. If you and I improve our efficiency and get jobs, other men who are slightly less efficient will promptly lose theirs. Further, since the whole trouble is due to the fact that there is too much economic productivity for the consuming power of the market, an improvement in the personal efficiency of the worker leading to still larger productivity will intensify and aggravate the problem of unemployment.

It is as if one were planning to give a concert in a hall that would seat one thousand, with a singer that would attract twelve hundred. The thing for you and me to do, of course, would be to go early, and maybe we would get seats. But that would be no solution of the problem as a whole, and the more numerous the people who attempted to apply that personal solution, the worse would be the resulting confusion and loss of time. The only solution for such a problem would be to hire either a larger hall or a poorer singer.

In many of the aspects of social life, the individual solution is not a social solution at all. Yet, one of the hardest things that the social scientist has to do is to convince mankind at large of the conclusions of social science.

EMIGRATION AS AN EXPEDIENT

One of the finest illustrations of this whole truth is found in the great expedient of emigration, particularly in its application as a relief of overpopulation. In the naïve view, the view which anyone takes when he first approaches consideration of this problem, emigration and immigration seem to be simply matters of arithmetic. If there is an emigration of five hundred thousand people from one country to another, a total of five hundred thousand has been subtracted from the population of the first country and added to the population of the second country. That has been the interpretation of emigration as a social expedient in overcrowded lands from time immemorial. Yet, the whole teaching of social science is that under the conditions which have underlain the great

migration movements of the past hundred and fifty years, emigration has been no relief for overpopulation, and immigration has not tended to increase the population but has simply had the result of substituting foreign population for native.

The defense of that conclusion on the basis of established theory is simple enough. I need only recall to your minds the essential features of the Malthusian theory of population as we customarily call it, which represents the best thought along those lines up to within the last decade or two, and you will see the truth of that statement.

According to the Malthusian doctrine, there are four great factors in the material situation of any society, which have such reciprocal influence that anyone may be regarded as the result of the other three, or any three as the cause of the other one. Those factors are: first, the land, the source of all material supplies; second, what we commonly call the stage of the arts, the sum total of the economic and industrial technique, including the ability of the people themselves, by which the resources of the land are withdrawn and made available for human consumption; third, the size of the population itself; and fourth, the standard of living upon which that population maintains its material existence.

As we all know, those four factors are included in the ordinary summary of the Malthusian doctrine to the effect that population tends to increase on a given area of land and a given stage of the arts and a given standard of living, up to the supporting power of the soil. That theory, in harmony with the truth of the factors involved, assumes that the great, dynamic, elastic factor in that quartette is population, and that has certainly been true in the past. Population has been a great,

expansive force, held under repression by the inflexible barriers of the supporting power of the soil coupled with the industrial arts and linked up with the standard of living which the people rightly regard as a priceless possession.

BIOLOGICAL INCREASE

The expansive force of population is well known to you all. One of the most familiar examples, of course, is that of the oyster, neither the highest nor the lowest form in the scale of organic evolution, but one which does its part in the development of social theory as well as in other ways. The simple fact is that if we started with a single pair of oysters, breeding at the average American rate of reproduction, by the fifth generation there would be a mass of oyster shells eight times the size of the earth. That is simply a middle example of the power of biological increase. Havelock Ellis tells us of a simple microscopic organism, the reproductive power of which is such that if left unchecked, a single specimen would in thirty days produce a mass one million times larger than the sun.

Now, mankind, of course, is at the other extreme of that range. *Homo sapiens* is one of the slowest breeding animals on earth. Yet, the extent of potential multiplication of the human species is virtually unlimited. Dr. Kuczynski¹ has spoken of the retarding rate of human increase in the world today, and very truly. But if we allowed the population of this country to increase at the rate that prevailed in the early years of this century, which was not a phenomenal rate, the United States would be much more seriously overcrowded by the end of this century than China is today. Now, I agree with Dr. Kuczynski that this is not

¹See "Population Growth and Economic Pressure," in this volume.

going to happen. I simply cite it to illustrate the tremendous expansive power of human population which is always present, always ready to assert itself, and held in check only by the barriers of the other factors in the situation.

EFFECTS OF MIGRATION

In view of these facts, what is the effect of emigration on a country which is experiencing the pressure of population upon the supporting power of the soil? Obviously, the immediate effect of emigration is to relieve the factor of population by the departure of a certain number of individuals. Yet, that population is under extreme pressure and is trying to force itself to wider limits. If the exodus is a moderate and gradual one, as most of the emigration currents of the past hundred years have been, the effect is simply to relax the tension upon population and to give it an opportunity for expansion which it has not had. Population surges forward and fills up the gaps left by the emigrants, and as the emigration stream flows on, the population remains just as large as it was before, and according to some students, becomes even larger.

The same principle prevails in the immigrating country. If it is an old country where the balance has been struck between the desire for population and the desire for standard of living, the immigrants intensify the pressure of the population upon the existing economic situation, forcing a reduction in the increase of native population, and resulting in no greater growth in the total population than would have taken place without any immigration.

I will not take up your time to enter into an elaborate, detailed, theoretical exposition of the foregoing principles. I will simply say that so far as my studies have gone, these principles are

accepted by practically every scientific student of the population problem and of the immigration problem, and, so far as this country is concerned, the theory is usually stated by saying that we have in 1930 no larger population in the United States than we would have had if not one immigrant had come to our shores since the year 1820.

That doctrine is so well supported, so thoroughly documented by all the best scientific literature on the subject, that it stands as one of the most unassailable conclusions of economic and social theory. That being the case, the conclusion naturally follows that under prevailing conditions in Europe, to say nothing of the more overcrowded countries of the Orient, emigration is no relief for overpopulation. It is a false and illusive expedient which rather aggravates the evils that it is sought to remedy.

Those who have read the report of the Red Cross Commission to China will perhaps recall the very dramatic paragraph in which that Commission sums up its conclusions in this matter with respect to China. The statement is made that if all the less crowded lands of the world were to open their doors wide, and if all the passenger ships that sail the seven seas were to be diverted from their ordinary routes and used exclusively to carry Chinese emigrants, the whole fleet could not possibly keep up with the annual increase of population.

LEADERS HARD TO CONVINCE

Yet, in spite of all scientific demonstration, in spite of all tangible and visible proofs, this teaching is one of the very hardest things to get across, not only to a disinterested group of students, but particularly to the statesmen concerned with these problems in the various countries. It is really pathetic to see the confidence with which states-

men and leaders of public thought cling to the fond hope that emigration can be used as a cure for overpopulation.

Within the last two or three years, two books have been published by eminent Europeans—one by a Swede, Dr. Helmar Key; the other by an Englishman, Professor Gregory—both of which bear out this doctrine on almost every page. For instance, Dr. Key says, in his book, published in 1927:

It is clear that one of the inevitable preliminaries to better conditions in European industry must be sought in large-scale emigration from Europe. . . . Nothing effective can be done to improve the economic position of Europe without carefully organized, large-scale emigration to overseas countries. . . .

The simple and inevitable truth is that a considerable part of the population of Europe must be given the opportunity to emigrate.

These are paragraphs taken from different parts of Dr. Key's book, illustrating his thesis all the way through.

Professor Gregory says:

The first information necessary is the amount of emigration from Europe required to relieve its overpressure. A net emigration of half a million would suffice under existing conditions to relieve the condition of Europe, though it would not relieve the whole of the genuine unemployment.

I say it is pathetic, because it is like a sufferer from some insidious disease who takes a patent medicine year after year and dose after dose and lives on, cherishing the fond hope that one more dose will produce results. It is really extraordinary to think that at the close of a century of the heaviest emigration that the world has ever known, a century terminated by the worst war that the world has ever known, largely caused by overpopulation, there should still be leading students of social problems who would

continue to say that the only relief for the situation in Europe is more emigration.

A NEW ATTITUDE

However, a new day is dawning. New factors are being introduced into the situation, and new factors alter the significance of scientific conclusions. There is a new attitude towards population, the world over. It has not yet been fully accepted, particularly in this country. Most of our favorite slogans still remain, "Bigger and better something or other," all the way from battle-ships to babies. We still cherish the ideal of bigness. Mere size is still a fetish to us.

I often think of a story told me by a cousin of mine who was in France during the war, and who while there met a very eminent French artist, who had painted most of the notables on the Allied side. Later on, this French painter and his wife came to this country on a visit and spent some little time in the home of my cousin. Of course, they had their eyes open for all characteristic American things, and they were particularly impressed with our breakfast foods—something with which they were not familiar in Europe. The one which caught their eye and their fancy most of all was puffed rice. "There," they said, "is something typically American—puffed to eight times its natural size."

So, we have not yet completely departed from the old tradition of bigness and from the worship of size for its own sake. Still, a new factor is entering into the whole situation, namely, widespread birth control, to which Dr. Kuczynski has referred. The whole Malthusian theory presupposes the appearance of as many children to the married couple as the Lord sees fit to send. Malthus took no account of the deliberate control of family increase

within the marriage bond and consequently his whole set of theories and principles was built up in the absence of that consideration. That is why he was known as the arch pessimist of all time, the "gloomy parson," the man who condemned mankind to greater or lesser degrees of misery for all time to come.

But now we have the introduction of a new factor in social evolution, of an importance which Warren Thompson, in his recent *Danger Spots in World Population*, considers comparable to that of the invention of the printing press and the discovery of fire. When you have a new influence of that kind entering into the situation, the whole series of conclusions must be revised. And that is exactly what we see going on in the world around us today.

PROGRESS OF BIRTH CONTROL

Birth control is gaining headway and will very soon be established as a general if not a universal factor in the life of Western countries, and is, strange as it may seem, beginning to penetrate the countries of the Orient. People are becoming interested in it. In fact, I have heard it said that there are just three things in which the American people really are interested—eugenics, birth control, and girth control.

By way of illustration, I may mention the recent action of the Town Hall Club in New York, which has a rather unique and distinguished membership. The Club held its annual vote for that member who had done most to add to the enlargement and the enrichment of life. There were some six hundred members voting, and out of the five candidates, two were tied. A careful recount showed a margin of one vote. The two who were tied were Dwight Morrow and Margaret Sanger, and Dwight Morrow won out in the end by one vote.

Such a thing as that would have been utterly impossible ten years ago. It is a sign of a change of the factors underlying the whole population question. And with the introduction of birth control into the emigration problem, everything takes on a new color. If a country has the power to control its growth of population by internal methods, then perhaps a wisely directed and cautiously controlled emigration may prove of some value.

MIGRATION AS A TEMPORARY EXPEDIENT

Professor Thompson, in his book previously cited, reaches the conclusion that as between the densely settled sections of the earth's surface and the less crowded areas, there exists a differential pressure which, if not relieved in some way, will inevitably bring the world once more into war. He advocates migration as a solution of that problem until the expedient of birth control shall have made its way and shall be prepared to serve its function. He applies this solution particularly to such a country as Japan.

With many of Mr. Thompson's basic conclusions I heartily agree, but I differ from him with respect to the order in which he places these two expedients. I am very much afraid that if countries like China and Japan and India are given recourse to large emigration as a relief from their acute problems, they will use that as an excuse for postponing birth control indefinitely, and in the end we shall have still more overcrowded countries, still worse situations, still less relatively vacant land, and birth control no nearer its goal than it is today.

I would say most emphatically, as a prerequisite to the application of migration as a relief for overpopulation, let any particular country demonstrate that it can introduce and apply birth

control to the extent of holding its population stationary say for a decade, or even better, for a generation. When a country has shown that ability, there will be some reason to consider its rights to use emigration to draw off its surplus population.

DOES WAR RELIEVE POPULATION PRESSURE?

There is one other application of this group of principles that seems to me of very great importance. It was my good fortune about six years ago to make a tour through Europe in the investigation of migration problems, which brought me into touch with officials in most of the capitals of Europe. The one thing that impressed itself upon me was that, under modern conditions, war is no relief for overpopulation.

We have been trained to look upon war as one of the great expedients of Nature to dispose of her surplus population. In that tour over Europe only a few years after the close of the world war, with its terrible holocaust of human life, I found practically every country in Europe more overpopulated, or at least more conscious of its excess population, than it was before the war started.

I am convinced that there is a fundamental principle here which is easy to understand. As already stated, overpopulation is a condition dependent upon the total economic setting of a country. One of the important elements in the economic setting of a modern country is a complex industrial, financial, and general economic system which not only exists within its own

boundaries but links it up with other countries on a basis of commerce, of credit, of international finance, and so on.

A war completely shatters that fabric of international relationships and to a large extent destroys even the internal organization; so that when the war is over, a country finds itself far less able to support its smaller population on its disorganized economic basis than it was to support a larger population with better economic foundations before the war. By the time those economic foundations have been restored, the population has again shot forward, so that the condition is no better than before the war took place. I think this throws a new light upon international problems. We must stop thinking of war as any remedy for excess population.

I believe that this whole situation is taking on a new aspect and a new setting. We are beginning to discard the Malthusian view that population is a great brooding, menacing force hanging over mankind at all times, threatening us with constant misery, to be dealt with on the best possible terms but always greater than the human will or social efficiency. We are coming to think of population as one of the great concrete, tangible, objective factors in human welfare, to be directed just as we direct any of the other great institutions of human life. On that basis, I am confident that we are moving forward into a new and better era, both economic and social, because of our better grasp of this great human capacity.

The Attitude of Immigration Countries

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THE attitude of immigration countries toward international migration seems to be affected by at least three considerations: their need for labor to exploit their resources; their concern for living standards and for the character of their population; and the motives of emigration countries in seeking an outlet for their surplus population. The public opinion that has found expression in immigration legislation has seldom distinguished these factors; they have in fact usually been interrelated, one predominating at one time and another at some other period; but in order to clarify present conflicts between immigration and emigration countries it seems desirable to consider them separately.

INDUCEMENTS TO IMMIGRANTS

The policy of freedom of international migration, which seemed to be gaining acceptance during the nineteenth century, resulted from the opening of unsettled areas, particularly in the United States; which not only admitted immigrants but even offered inducements to them. Officially, this country extended political privileges in the form of easy naturalization, accompanied by protection against other countries' claims to military service; it safeguarded the health and the comfort of migrants during the ocean voyage; it offered free public lands for settlement and free advice both abroad and upon landing; and, during the Civil War, when industrial labor was particularly scarce, it permitted immigrants to encumber future wages in order to finance their passage.

Unofficially, migration was stimulated by the recruiting activities of transportation agencies and industrial corporations, sometimes with financial assistance, and by the prepaid steamship tickets and the assurances of employment sent by immigrants already here to relatives and friends at home. To some extent, persons were even coerced into entering in order to fill the demand for labor, as in the case of Negro slaves in the South and Chinese coolies on the Pacific Coast.

At first, the countries from which these persons came sought to check their departure, for economic or military reasons, and refused to permit their expatriation. Powerless to stem the outflow, however, and gradually recognizing the advantages that might be derived from the transplanting of loyal subjects, they authorized emigration, protected conditions of transoceanic travel, sought to defend their nationals abroad, and eventually permitted expatriation.

RESTRICTIONS

The situation that made the movement generally acceptable had begun to change before the world war. As the pressure for new labor relaxed, measures were taken to retard its entrance. First, the Alien Contract Labor Law of 1885 sought to prevent active recruiting by corporations and the prepayment of steamship passages by them. When this act failed to check the mounting rate of immigration, the literacy test was recommended in 1914 by the United States Immigration Commission as the best practicable

method of reducing the reserve of unskilled immigrant labor. With the support of the South (which had come to favor the restriction of Southeast Europeans on other grounds) this test was adopted in 1917 over the President's veto. Under its provisions, however, only about fifteen hundred persons were debarred annually, and by 1921, immigration had risen again to 805,228. In the face of what seemed likely to be a postwar European invasion of some duration, a plan of definite numerical restriction was put in operation temporarily and in 1924 was adopted as a permanent policy. It limits European immigration to approximately 150,000 annually.

These changes in policy have attended stages in economic development. Whatever the selective features of American legislation have been, it is clear that in their economic aspects the present limitations correspond to the more drastic postwar restrictions of the economically mature countries of Europe, which seek to protect wages and conditions of employment by preventing the international movement of workers except in response to definite economic needs.

It may be that the drastic restriction of the 1924 act was economically premature, as is suggested by André Siegfried, who points to the increased migration from Canada and Mexico since the passage of the act as an indication of the continued demand for labor. The state of the employment market at the moment makes it difficult either to support or to refute this point of view, for though no active demand for more industrial labor is apparent, it seems highly probable that the shortage of jobs is due in part to attempts of employers to head off any labor stringency that might result from restriction, by speeding up the rate of mechanization. In any case, it is clear that industry in

the United States does not need a constant flow of European immigrant labor.

Nor is an increased demand for settlers on the land likely to occur. The unexploited agricultural resources are either relatively poor areas or areas that can be developed only through large capital investments in irrigation or drainage. The disadvantages faced by the American farmer in seeking to market his surplus crops abroad at a profit do not suggest a period of agricultural expansion in the near future.

It is not likely, therefore, that the United States will permit immigration to increase the number of producers. The present problem seems rather to be one of finding consumers, and immigration cannot secure them without lowering, or at least running the risk of lowering, the relatively superior living standard of the working population.

IMMIGRATION POLICIES OF BRITISH DOMINIONS

There is slight prospect that undeveloped areas elsewhere in the world will be capable of absorbing immigrants during the twentieth century at the rate at which the United States absorbed them during the nineteenth century. Despite the drastic restrictions imposed by the United States, migration to Canada, Australia, Argentina, and Brazil—the chief remaining immigration countries of the world—has not exceeded its average for the five-year period from 1911 to 1915. In the case of the British dominions, the failure of immigrants to enter in larger numbers can be attributed in part, but by no means entirely, to legislative restrictions; in the case of the South American countries, serious legal bars have not existed.

In the immigration policies of the British dominions, it is difficult to dissociate the economic from the

political and social aspects and to tell whether their areas could be exploited to advantage by the peoples of the densely populated countries if they were free to enter.

In Canada, the northern edge of the wheat belt in the Peace River country, the upper part of Ontario, and some of the western railroad lands are available for settlement. Under favorable world market conditions for wheat and with careful attention to potential markets for other agricultural crops, these lands might successfully be put under cultivation. The Government, however, has found it necessary to give supervision, advice, and financial assistance in the form of reduced fares and liberal credit to settlers in the new areas and in areas that have been abandoned.

In Australia, too, financial assistance has been required to induce immigration for purposes of agricultural settlement. In the sections where settlement has been promoted by the authorities—particularly in the semi-tropical parts of the northeast and the fertile grasslands of western Australia—it has necessarily been preceded by the opening of railroads and other transportation facilities, the provision of a water supply, the construction of dwellings, and the furnishing of livestock, seed, and credit for the temporary living expenses and working capital for the settlers. Owing to lack of capital in Australia, Great Britain has provided funds for development in order to assist in the settlement of unemployed British workers.

These projects are still in the experimental stage but their success is not such as to encourage expansion. A recent report by the British economic mission to Australia recognized that further promotional activities in western Australia would be unwise in view of the difficulty of finding markets for the products, the heavy capital investment

made in the unprofitable development of public lands, and the abandonment of lands by a considerable proportion of the settlers. The mission suggested that the emigration of British settlers should be curtailed, although the location of only 450,000 persons in a period of ten years—an annual average of 45,000—had been contemplated. It seems that settlement in these areas can be successfully undertaken only by individuals with capital or through projects involving substantial government aid or other financial assistance.

SOUTH AMERICAN INDUCEMENTS

In South American countries, the legislative policies generally reflect an active demand for persons without property to enter in unlimited numbers as settlers or as agricultural laborers. The laws of Argentina and Brazil typify this attitude. They offer, as inducements to immigrants, free board and lodging temporarily at state expense, free transportation to place of destination, exemption from customs duties on luggage, furniture, tools, and implements, governmental aid in locating employment, and free grants of public lands by some of the states. The purchase of large estates to be broken up for settlement in small holdings has been undertaken in some places. Non-profit-making colonization companies have been organized in coöperation with the railroads to assist settlers in securing land and to advance them credit, food, and equipment.

Despite these inducements, however, the countries of South America have not been attracting more settlers than they did in the prewar period, when Argentina drew almost fifteen per cent of the total emigration from Europe and stood second to the United States with an annual average immigration of over 200,000; Brazil followed Canada and Australia with an annual average immi-

gration of over 120,000. Although these countries have retained their rank the number of immigrants has not risen above prewar levels, at a time when they might be expected to attract thousands of settlers thwarted in their desire to migrate to the United States. The volume of international migration has shrunk to such an extent that the United States still takes approximately one half of the total emigration from Europe.

A partial explanation of the lack of response to the inducements offered to immigrants by countries like Argentina and Brazil lies in the fact that even in South America the only sizable areas having a population of less than two per square mile are poor steppe, mountainous, or desert regions, or (in Brazil) tropical or semitropical places in which white people are not inclined to settle. Some good lands that are sparsely inhabited might support a larger population if a system of large estates did not discourage the small holder. In the undeveloped mediocre sections, suitable only for grazing, capital amounting to £28,000 and the possession of six hundred hectares of land are suggested by the government as an advantageous basis for successful cattle-raising.

Like Canada and Australia, these countries face the problem of a drift of settlers and agricultural workers to the cities, where the supply of labor exceeds the demand. This movement suggests that, for the present at least, their resources do not have the power to attract that was possessed by the farm lands of the United States during the half-century when the Mississippi basin was being filled, not only by immigrants but also by native-born persons from industrial centers. The combination of fertility of soil, individual land ownership, ready home markets, and rate of expansion that made

increases in western land values almost certain has not been repeated in other immigration countries.

MIGRATION TRENDS

The new countries that have been mentioned do not, of course, comprise all of the potential resources of the world. It is not impossible that migrations involving millions of Europeans may again take place. Meanwhile, it is probable that a limited amount of international migration in response to labor needs will continue to occur, not only in areas of relatively sparse population but also in densely populated countries where labor shortages result from a decline of population or the rise of new industries. A limited migration of this character has taken place on the continents of Europe and Asia, and D. Kuczynski's analysis of population trends in Northwestern Europe indicates that it may become significant there in the not distant future.

France has already become an immigrant area. In the early postwar reconstruction period, her immigration from Italy, Poland, Spain, and Czechoslovakia amounted to several hundred thousands annually, and although it suffered a decline after 1926, France still admits approximately fifty thousand immigrants a year—most of them as agriculturists planning to settle on abandoned lands in southwestern France. This movement of workers is controlled by bilateral treaties under which France agrees with the emigrant nation on the number and the occupational character of the immigrants it will accept, guarantees them wages and other conditions of work equal to those of its nationals, including social insurance, and regulates methods of recruiting and organizing the movement of workers. France's national laws guarantee preference in employment to

its own nationals, thereby preventing immigration from throwing native workers out of employment.

This regulated immigration into France is typical of the international movement of workers among European countries. The wartime and postwar restrictions on the admission of alien workers have operated to protect native workers against immigration not warranted by conditions in the labor market. They seldom exclude alien workers who have definite prospects of work, and they do not prevent admission of a large and varying number of alien workers under bilateral treaties in cases of shortage in the domestic labor supply.

The foregoing cursory survey indicates that at present, the important immigration countries either restrict their immigration to negligible figures because there seems to be no active need for labor to develop their resources, or they present conditions of employment or settlement which do not attract the surplus populations of Europe in sufficient numbers to relieve overpopulation.

If this were the only factor affecting immigration policies, the overpopulated countries would have no valid ground for a grievance, for they could hardly claim the right to enter a country in which no opportunities for employment existed or in which their nationals would not be willing to accept the available opportunities. Grievances are based either on the claim that opportunities exist which are not being exploited by the nations that control them or on the claim that the privilege of exploiting them is not granted on equal terms to the nationals of all countries. Where legislation giving grounds for these grievances has been passed, its purpose has been to protect the living standards and the character of the population.

SELECTIVE LEGISLATION

Not all legislation affecting the quality of population has been discriminatory in character. Early state legislation on this subject, passed in the United States during the pre-Civil War period, excluded paupers, criminals, and diseased persons; and attempts were made to supplement exclusion by a head tax which savored a little of a property qualification but which seems to have been justified in order to help to finance the cost of aliens in public institutions.

Federal selection began with the exclusion of convicts and prostitutes in 1875 and was gradually extended to include lunatics, idiots, and persons likely to become public charges, persons who believe in bigamy, anarchists and other advocates of the overthrow of organized government by force and violence, and persons of "constitutional psychopathic inferiority."

In the British dominions, similar laws have apparently been more strictly enforced and have probably exercised a greater selective influence on the character of the immigrant population. In South and Central America, restrictions affecting health and related matters have been adopted by all countries. The laws vary greatly in scope and precision, ranging from the generality with which Honduras excludes persons of bad moral character and immigrants not enjoying good health to the particularity with which Peru lists, as likely to become public charges, persons suffering from rupture, chronic rheumatism, and varicose veins in the lower limbs. Nothing in the circumstances surrounding the passage of this legislation or in the administration of its provisions, however, lays it open to charges of discrimination.

Apart from the individual selection

involved in restrictions regarding matters such as health, other measures designed to protect the native population have either directly or implicitly discriminated against certain national or racial groups.

In the United States, total exclusion, except for purposes of trade, has been applied to Chinese and Japanese; a literacy test intended to reduce South and East European immigration is on the statute books; a quota system for European countries is in force which has reduced South and East European immigration to approximately 30,000 out of a total immigration of approximately 150,000 European immigrants.

The same quota system establishes a preference in fact for British immigrants by giving Germany, the Irish Free State, and the Scandinavian countries—the chief sources of immigration during the nineteenth century—a combined total of immigrants which is less than the total for Great Britain and Northern Ireland alone. This British preference is strengthened by the numerically unrestricted immigration from Canada. It would be strengthened even further if Congress should adopt the recommendation of Congressman Johnson of Washington, Chairman of the House Committee on Immigration and Naturalization, who urges a preference within quotas for English-speaking persons and “persons whose mental, moral, physical, and hereditary characteristics shall tend readily to assimilate them and develop a homogeneous population in the United States.”

At the same time, support seems to be increasing for some restriction of Mexican immigration. A plan was recently reported favorably by the House Committee on Immigration and Naturalization which proposed to establish for all American countries quotas amounting to four times the number of

American citizens who were permanently settled in the countries in question in 1929. This would give a quota of 61,566 to Canada and Newfoundland, one of 2,900 to Mexico, and smaller quotas to other American countries, thus reducing Mexican immigration to a negligible quantity, preserving the present predominantly British immigration from Canada, and (the Committee hopes) showing consideration for Latin American countries by avoiding direct methods of discrimination.

ASIATIC IMMIGRATION

When, during the seventies, the United States first considered the adoption of discriminatory legislation against the Chinese, it seems to have been with some concern regarding the international propriety of such action. Free migration between the two countries, except for involuntary contract laborers, had been established by treaty in 1868—a treaty of great importance to the United States because it permitted entry into China on the part of American commercial interests. President Hayes, in vetoing an act of 1879 that practically excluded Asiatics, proposed to handle the problem through the “proper course of diplomatic negotiations,” and the Exclusion Act of 1882 was passed in accordance with a revised treaty. Attempts were made to secure China’s consent to subsequent more drastic restrictions. When China exhibited reluctance, however, Congress asserted its right to disregard the international considerations urged by the State Department.

Discrimination against Japanese was also complicated by international negotiations. A commercial treaty in 1894, while granting generally the right of free migration to subjects of both nations, expressly permitted control of the admission of laborers. As Japan’s prestige grew, she sought to eliminate

this open consent to discrimination against her nationals. Out of respect for her feeling, the objectionable feature of the early treaty was removed by a change in provisions which guaranteed right of entry only for purposes of trade.

By agreement, the obligation voluntarily to restrict migration of Japanese laborers was accepted by Japan in order to avoid open legal discrimination by the United States. The dissatisfaction with this arrangement arose not from the fact that the method in itself had proved ineffective but that under the exemptions allowed by its terms, the Japanese population in the United States was continuing to increase.

When the 1917 Act and the Emergency Quota Acts were under consideration, the State Department succeeded in forestalling national legislation contrary to the existing agreement. Feeling against the continued increase of Japanese after the war was so strong, however, that exclusion was adopted in the 1924 Act after a sharp struggle, in which the Senate vote was relatively close and the House vote in favor of the Act was influenced by the issue whether the Executive Branch of the Government or Congress was to have the power to determine immigration policy. Congress' attitude was represented by the declaration of Senator Robinson of Arkansas that to permit immigration by treaty "would seem to constitute a recognition of the immigration question as a proper subject for international negotiations" and would "constitute a distinct recognition of the force of the Gentleman's Agreement as superior to the right of Congress to legislate on the subject." These episodes have colored the attitude of the United States toward regulation of migration by international understanding and have tended to produce an assertiveness in declarations of discriminatory policy by the United

States which has increased the bitterness they aroused.

QUOTAS BASED ON NATIONAL ORIGIN

In the case of discriminations against European countries, Congress has been free from international considerations in the form of treaties. In 1924, however, the Italian and Rumanian Governments objected to the discrimination implicit in the then pending Johnson Bill, which based quotas on the foreign-born population recorded in the 1890 census—a base which was adopted by the House because it secured the smallest proportion of immigrants from Southeast European countries.

The State Department on this occasion also attempted to avoid open discrimination by urging continuation of the 1910 census base, which had been used in the Emergency Quota Acts. The Senate adopted the later base, with the proviso, however, that after 1927 the quotas were to be based on the national origin of the whole population. Senator Reed of Pennsylvania sponsored the plan, partly on the ground that it would be less susceptible to the charge of discrimination. In the course of conference on the bill, the State Department recommendation was eliminated and the House basis was adopted temporarily until quotas under the national origin provision could be calculated.

The Act of 1924 provided for a careful analysis of the national origin of the whole population on the basis of census and immigration statistics, and an apportionment of the total quota among the various European countries on the basis of the present composition of the population. Such a distribution was defended on the theory that the immigration policy should preserve existing ratios between the various ethnic elements of the population. Its effect

is to admit only a relatively small Southeast European immigration, although quotas for some countries in that region are slightly increased over what they were on the 1890 census base, and to reduce substantially the proportion of German, Irish, and Scandinavian immigrants, who entered in greatest numbers during the nineteenth century and did not, therefore, contribute as much stock to the present population as the colonial immigration of British.

This succession of discriminatory laws has been advocated and passed on two grounds: first, that the low living standards of certain racial and national groups have tended to reduce, or at least to keep stationary, the living standards of the native-born working population; and second, that racial differences between the culture and tradition of certain peoples and the indigenous culture of the United States have made assimilation impossible and have tended to destroy the homogeneity of population, without which democratic institutions cannot function and a national flowering of culture cannot take place.

BRITISH EXCLUSION

The policy of racial selection in the British dominions has been quite as discriminatory as the present legislation of the United States. It has attracted less attention, however, partly because equality in the treatment of all alien workers permits a preference for persons of British origin, and partly because its effect has generally been to refuse to extend the privilege of immigration to certain peoples rather than to withdraw privileges which had once been enjoyed. The dominions never adopted what might be regarded as a policy of free migration.

Australia has at least three specific laws aimed at racial discrimination:

the Pacific Island Labourers' Act of 1901, excluding non-European persons of the Pacific Islands; a literacy test law, requiring any immigrant to pass such test in any language which an examiner may choose; and a recent act, passed in 1925, permitting exclusion by proclamation of any class not likely to be assimilated.

Under these powers, all colored peoples have been excluded. Although white immigration as such is not barred, Europeans who are not kept out by the high cost of the ocean voyage can be excluded under a law which requires all farm laborers or unskilled workers to have definite contracts of employment as a condition of admission. Practically, their immigration is permitted only when they have state approval and enough capital to enter as settlers, or when they are recruited under government authorization in connection with some scheme for assisted settlement.

A predominantly British immigration is secured by active recruitment and by reserving assistance for persons from Great Britain. Limited numbers of South and East Europeans have recently been admitted to settle in the semitropical areas of Queensland and in West Australia. Under the quota system adopted for this purpose, the total number is determined in accordance with the plans for development, attended by a policy of keeping alien immigration within twelve per cent of the British admitted. In this scheme, Italy is now allotted three thousand, which constitutes approximately three fourths of the total number of South and East Europeans who are received.

In Canada, Chinese exclusion is effected by a head tax of five hundred dollars on all Chinese persons not of commercial or professional classes, regardless of allegiance. Japanese migration is restricted by a Gentleman's

Agreement with Japan and by supplementary legislation that excludes persons not entering directly from the country of their birth and allegiance.

Any desired racial discriminations could be imposed under existing law, since it gives the Governor-General power to vary the requirement for a minimum amount of landing money with race, and permits him to prohibit or limit in number the immigrants of any particular nationality for economic or social reasons. Under these provisions, countries of Northwestern Europe have been classified as "preferred" and their emigrants need satisfy only the usual qualifications for admission; they are not subject to numerical restrictions. South and East European countries are classified as "non-preferred" and are subjected to definite quotas, the total varying with the need for settlers to develop unpopulated areas in accordance with government policies.

LATIN AMERICAN ATTITUDES

In South and Central America, laws restricting Chinese and Japanese immigration have been increasing, following the lead of the United States. Today, Japanese immigration is encouraged only by Bolivia, Brazil, and Peru, all of which are interested in Japanese labor for the exploitation of tropical areas. The State of Amazon in Brazil, which had approximately fifty thousand residents in 1926, has invited arrangements with official Japanese colonizing companies for settlement of fertile areas suitable for raising rice, cane sugar, spirits, maize, tobacco, and beans, and for experimentation in the growing of cotton and silk—raw materials which are vital to Japanese industries.

Brazil also favors Hindu immigration in her tropical regions for the development of a fishing industry and rice growing. So far as immigrants from the various European countries

are concerned, the attitude of South American countries has been one of equality of treatment except in the case of gypsies, who seem to constitute the race menace of South America and are excluded in almost all countries.

Selection in fact, however, is exercised in favor of South and East Europeans in the recruiting of immigrants under schemes of assisted settlement, in accordance with bilateral treaties or informal understandings with European countries. Argentine officials have publicly expressed a preference for South Europeans because they are more suitable for Argentine settlement. Such a preference seems to be justified by experience with German immigrants, who in many cases have been dissatisfied with Argentine conditions and are gradually becoming repatriated. Preferences of this character, based on the mutual interests of both nations, are not likely to be regarded as discriminations by the countries of high living standards whose nationals are discouraged from entering.

INTERNATIONAL ASPECTS

The various discriminatory measures noted are affecting international peace by creating, in addition to the economic motives for aggression, a desire to seek compensation for the alleged cultural and biological inferiority with which this legislation brands various peoples. It is doubtful whether open discrimination and disregard of national sensibilities have been necessary to keep out undesired elements. In the case of Oriental exclusion in the United States, both China and Japan viewed with grave concern the bloodshed and the violence to persons and property which accompanied race conflict in the Western states. Both declared a desire to restrict emigration of their nationals under the circumstances and both might have been persuaded

through skillful negotiation to consent to effective restriction.

By asserting Congress' sole and complete control over the subject, the United States not only strained international relations with these countries but also lost their coöperation in controlling migration through refusal of passports. In view of the fact that extension of the quota to Japan, placing her on an equality with nations of other countries, would have permitted an immigration of only 146 persons annually, the chief purpose served by exclusion has been to give vent to popular feeling.

Under the quota system by which the United States has discriminated against South and East Europeans, the total number admitted is so small that the proportions between racial groups cannot affect either the supply of unskilled labor or the ethnic composition of the population.

MEXICAN IMMIGRATION

The proposed restrictions on Mexican immigration are another case in point. A large movement of immigrants from this area, which was started by organized recruiting on the part of southwestern agriculturists, has aroused opposition from urban areas into which they drift during the winter, where they frequently become public charges, and from organized labor which is beginning to meet Mexican competition in industrial areas throughout the Middle West.

This immigration would have been much smaller had provisions of the existing laws regarding the literacy test, health, head tax, and visa fee been strictly enforced. Six months' experience with real enforcement during the last half of 1929 indicated a drop to approximately one fourth of the immigration for the same six months of the preceding year. At this rate the total

annual immigration could be reduced from over fifty thousand a year to approximately fifteen thousand.

Mexico herself has sought to discourage emigration in her own interests, not only through liberal land reforms but also by trying to persuade Mexicans who have settled in the United States to return to their native country to develop the irrigated areas which have recently been opened to settlers by the Government.

In this situation it seems irrational to adopt a quota system which would be construed as an unfriendly act by all Latin American countries, until all other attempts at solution have failed. It is understandable, however, if the American immigration laws are viewed as an expression of the economic class conflict in the United States, of the skilled worker against the unskilled who may be used to replace him, or the small planter who labors with his hands, against the competing large planter who uses cheap immigrant labor. Discriminatory immigration legislation has been one of the political solutions of employment and wage problems in a country which has had relatively little protective labor legislation.

If the United States should adopt the proposal for selective immigration formulated by Secretary of Labor Davis, and in line with President Hoover's recent declarations on the subject, racial preferences would in fact be annulled. Under its provisions, quota numbers not needed by families of alien residents would be used by the Secretary to admit workers, regardless of country of origin, in case of a proved economic need which could not be satisfied by labor available in the United States. Such an experiment with economic selection might pave the way for regulation of immigration through bilateral treaties, simi-

lar to those in use in Europe at the present time, in the event of an increased demand for labor.

Treaties of this character, however, are not likely to be consummated if policies of emigration countries conflict with the purposes of countries desiring immigration.

EMIGRATION POLICIES

The motives underlying the emigration policies of overpopulated countries do not always reflect a desire for the relief of individuals living continually on the margin of starvation, under an economy in which the number of persons is too large for the available resources. These countries desire rather to maintain or even to increase their numbers—partly for political and military considerations—and to use emigration as an aid in establishing a balanced industrial economy which will strengthen their positions as world nations. They can do this only as long as immigration countries admit persons whose governments encourage them to regard their residence abroad as temporary, to send remittances to kin in their home countries, and generally to remain loyal to the interests of their native lands.

It is true that a large proportion of such emigrants break away completely from their home ties. Nevertheless, such immigration is regarded with apprehension by the new countries, which have national and economic ambitions of their own. They desire immigrants not only as a labor supply for their industries and agriculture but also as a consumers' market for the goods they produce and as future citizens who will give unqualified allegiance to the new country.

A new policy in Italy, induced by the restrictions of United States legislation, seeks to keep the surplus population at home by means of a program of in-

dustrialization, while encouraging emigration only when it can take the form of an organized colonization movement. Such a policy may reduce pressure for the admission of emigrants into other countries. It will not help, however, to solve the conflict in immediate political aims which makes it more difficult than it might otherwise be to secure a rational adjustment between population and resources.

Nor will such a policy help to resolve the economic conflicts in the situation. If overpopulated areas pursue policies of rapid industrialization, they will probably adopt protective tariff systems for both industry and agriculture, with the possibility that living standards may decline as the cost of protected foodstuffs increases. The persons who might have emigrated may then become dangerous competitors in the world market. They may affect the living standards of wealthy immigrant countries from outside by capturing their export markets and possibly throwing their workers out of jobs. The population problem will then resolve itself into a struggle for markets rather than for uncolonized lands or emigration areas—a struggle in which the countries with high living standards will be at a disadvantage except in so far as a superior technique compensates them for higher wages and other high production costs.

PROPOSALS FOR INTERNATIONAL REGULATION

Unofficial international conferences have on several occasions ventured to discuss international control of this "entirely domestic" matter and have proposed a declaration of principles by which countries should be guided in making regulations affecting population movements. Briefly, these include recognition of the right of free migration and equality of treatment for

all workers, qualified, however, by the right of immigration countries to protect their living standards and to control the quality of their population. Would these principles obligate any of the immigration countries to open their territories to persons who are now excluded?

Mr. Albert Thomas, of the International Labour Office, has gone further in his suggestion that an impartial international authority be constituted to declare that particular areas should be open to exploitation by immigrants, still with the reservation, however, that a nation should be allowed to exercise selection. Would even this degree of control (begging the question of its political practicability) secure the more rational distribution of population and resources which Mr. Thomas desires? So long as countries are permitted to exclude immigrants on the ground of protecting their living standards, will not the more desirable areas with high standards continue to keep out the very people who are seeking to enter?

In other words, such a system might promote freedom of migration between areas with approximately equal living standards, in accordance with the labor

needs of these areas—a result which is crudely accomplished by existing national legislation—but it will not necessarily secure a redistribution of resources between high and low standard areas. No such redistribution seems politically possible as long as nations remain the most vital agencies of control in an international economy. Perhaps, therefore, the most we can hope to secure by a change in immigration policies is to minimize international friction by having greater consideration for national pride of other peoples in carrying out selective policies.

In the last analysis, does the conflict over immigration policies fundamentally concern the distribution of population? Does emigration relieve a condition of more or less permanent overpopulation? Why, in view of the world's limited resources, do overpopulated countries not seek to check their rates of increase? Is not their claim to areas for colonization merely a cloak for national aggrandizement, and are not migration policies, in their economic aspects, primarily a phase of the struggle between nations for markets and raw materials?

Control of International Transportation and Communication

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IN a recent address Justice Stone said:

Great as is the practical wisdom exhibited in all the provisions of the Constitution, and important as were the character and influence of those who secured its adoption, it will, I believe, be the judgment of history that the Commerce Clause and the wise interpretation of it, perhaps more than any other contributing element, have united to bind the several states into a nation.

Beginning soon after the appointment of Chief Justice Waite and continuing down to the present time, there has come from the Court the series of decisions defining the powers of the National Government over commerce. They present an impressive record of the application of constitutional principles to the growing needs and interests of the expanding nation. Here, as elsewhere in the application of the Constitution, the problem has been to maintain the national interests and at the same time bring it into an effective harmony with local interests and the principles of local government.¹

It would have been impossible to carry out successfully the plan of the Federal Union, if each state had retained the power to control the interstate ways of communication or prevent goods from passing in interstate commerce or subject them to its laws while on its territories. A like need in the organization of international communications exists for the Continent of Europe and, to a less degree, for the whole world. Said a French representative recently in the League Assembly: "No other question is as important as the question of the

organization of ways of communication."

INTERNATIONAL COMMUNICATION ESSENTIAL

Business is today international. The movement of goods and of passengers by water, by land, by air, and that of ideas by mail, by telegraph, by radio, does not respect artificial national boundaries; nor can they do so if the needs of individuals living in different countries are to be satisfied. Rubber must come from southeastern Asia to the factories at Akron, and manganese ore from Brazil or Southern Russia to harden steel in the plants of Germany, England, and the United States. In return manufactured goods must be shipped to the ends of the earth. If this great trade is to be subject to regulation at the will of each state that it crosses, the business of the world can not be successfully carried on, and a dangerous source of irritation, which will almost certainly lead to war, will be created.

The international society of states has recognized the need for the organization of ways of communication, and has embodied its will in a series of important multilateral treaties which are as essential to the economic life of the world as is the control by Congress and the Interstate Commerce Commission, of interstate commerce on our continent.

These treaties provide international organs to keep open the rivers of the European Continent; they weld the railroads of Europe into a union for

¹Stone, H. F., "Fifty Years' Work of the United States Supreme Court," *Am. Bar Assoc. Jour.*, vol. 14, p. 430, Aug.-Sept., 1928.

international commerce; they organize the postal services of the nations of the world to serve the need for international communication of ideas; they make possible the use of that supremely international means of communication, the ether waves which sensitize the delicate radio receiving sets in different continents; they lay down the rules of the road and the regulations for the air space, the last conquest of man for the purposes of transportation.

The League of Nations has taken up the duty of making "provision to secure and maintain freedom of communications and of transit" and has set up an organ of the League which is playing a large part in the progress of assuring international organization of international transportation and communication in the interests of all the peoples of the world. This network of agreements between nations plays a large, if not conspicuous, part in securing that "firm, just, and durable peace," on land, on the sea, and in the air, which the nations resolved to establish at the end of the great war.

EUROPEAN RIVERS

The first of these treaties was put into effect one hundred and twenty-five years ago and regulated the traffic upon the greatest international artery of communications of the period in Europe, the Rhine river. This treaty, modified to meet changing conditions, has remained in force to the present time and has been a model for other international European river conventions. It makes the river free for the commerce and the vessels of all nations, but it goes much farther.

The Rhine crosses several national boundaries and has again become the border between France and Germany for a long distance, as it was in 1804 when the first treaty was signed. Without an agreement, the govern-

ment of each one of these nations might have imposed such tolls as it pleased upon boats going up and down stream, might have imposed its own ideas as to how they should be laden and what should be the qualifications of their boatmen, so as to make it impossible for navigation to be carried on in the increasing tempo of the nineteenth century.

Merely enacting freedom of transit however was not enough. Results cannot be accomplished in the international, any more than in the national society, by passing a law. To be really free, navigation had to be regulated by common accord, and a means had to be established by which the detailed rules necessary for actual freedom of transit might be adapted to new conditions as they arose on the river. It was necessary to do this, however, with respect for the organization of independent states unwilling to permit the setting up of any supervising authority which would share their jealously guarded sovereignty. So a Commission was established to which at first each riparian state sent a representative experienced in matters of navigation, whose quasi legislative resolutions should be binding only after being approved by the individual governments.

But a common rule of the road and regulation of navigation was not sufficient. The navigable channel of the stream had to be kept free from encroachments by dams and bridges which might otherwise cut off the freedom guaranteed in principle. Consequently, the power to prevent encroachments on the navigability of the stream was also given to the Commission. This important international administrative function has been exercised on the Rhine for more than a century and a quarter.

Provision was also required for the judicial side of the problem—differ-

ences of opinion as to the meaning of the treaty and of the regulations, how breaches of the common rule by boatmen should be punished, and so forth. This need was met by making the river valley an international judicial district. Under the treaty, each national government set up a special court, whose process ran throughout the valley and whose judgments affecting individual suitors, might be appealed by the individual, not by his government, to the Commission sitting as a court. So the interpretation of the resolutions and their applications were kept uniform.

By the Treaty of Versailles the composition of the Commission was modified; the right of navigation by the boats of the citizens of all countries, even non-riparian, was emphasized; and to protect non-riparians, the Commission was increased by adding three members from great non-riparian states. Thus on the rivers of Europe was developed a remarkable institution with quasi legislative and limited administrative and judicial powers, in response to the need for a permanent organization to enforce the river law and to keep it abreast of changing conditions upon the stream and to supervise the constantly flowing current of commerce regulated by the international statute.

AMERICAN-CANADIAN BOUNDARY STREAMS

An institution of a different sort was necessary to protect the interests on both sides of the international waterways between the United States and Canada. The wide St. Lawrence and the inland seas which form part of the most important waterway which divides the two countries are not a narrow, crowded stream like the Rhine, and there is no need for a common regulation by the two countries of rules of the road and the conditions under

which ships should be allowed to sail. Navigation was made free to both countries, not to the world, in the rivers and the lakes and in the canals which joined them, and the only condition necessary to protect that navigation was the requirement that tolls should be uniform in the canals.

The real difficulty arose over the taking of water from the waterways by canals, especially at the Niagara, or the building of dams or other obstructions, not only in the St. Lawrence system, but in the smaller navigable rivers that cross the boundary. To protect the navigability of the streams from such interference, a semi-judicial organ was set up, the International Joint Commission, whose consent was necessary to any work which would in any way affect the navigability or the normal condition of streams which are international as between the two countries.

RAILROADS

The inventive skill of the international community when faced with necessity appears again in the solution of the difficulty of securing a proper functioning of the railroad system of Europe, divided as that continent is into many sovereign states. The problem is not essentially different from that presented by the independent jurisdictions in our Federal Union. As there is no super-state in Europe, the simple solution of the American Constitution, the Federal control of interstate commerce, cannot be applied.

Suppose a shipper wants to send goods from Paris across Belgium and Germany to Warsaw. His goods will be under the control of the four different governments through whose territory they pass, and must travel over railroads likewise controlled and in some cases operated by those governments. He, however, is in the same position as a person in New York who

desires to ship goods to California across the territory of the many intervening states.

In each case, the shipper wants to make a contract at the point of shipment which will assure him that his goods will be carried across the boundary of the intervening states and delivered to the consignee at their destination. The agent with whom he deals must be able to give him this assurance and to fix the price he must pay for the transport, inform him as to how his goods must be packed to meet the requirements of each country they cross, and as to the time of delivery.

It is equally important to the European and the American shipper that there be no discrimination between users of the roads, that he pay the same rate as his competitor, that his goods be promptly forwarded, and that he receive the same treatment as every other shipper. Equality of rate and of service is fundamental for international as for interstate transportation.

These necessities of international transportation were met through the organization of the International Union of European Railways in 1890. The governments bound themselves to guarantee to their nationals prompt forwarding of their goods on international lines of railway, and bound themselves furthermore that there should be no discrimination in rates or in service, and that the price of transportation should be fixed by published rates in each country. The governments were not ready to set up any international control over rates or service, but they were willing to compel their railroads to assure fair treatment as to rates and service for foreigners as well as nationals in international transportation.

Thus, a shipper from Paris could have his rate figured out to Warsaw; could pay it to the agent of the French

railway and be certain that the rate he paid was that which would be charged to any of his competitors, and that his shipment would be given prompt dispatch at each frontier, in the order of its arrival. If it were not, he could recover damages; and if he were discriminated against as to rates, he was also entitled to action against the united railways which had contracted with him for carriage of his goods.

The union of the railways comes out clearly in the right which was given the shipper to bring his actions for damages for injury to the goods or on his contract of carriage against the railway where the shipment was initiated or the railway which had the duty of delivering the goods to the consignee. It was left to the railways among themselves to divide the freight and also to divide the losses caused by the payment of damages.

No quasi legislative commission, as on the Rhine, was created to amend the detailed provisions of the treaty or the regulations made under it, nor was anything like an interstate commerce commission set up to enforce obedience on the part of the railways or to fix rates or conditions of service; but a central bureau was created to serve as a means of communication between the railway administrations, to prepare changes in the regulations, to submit them to the governments for their approval, to settle disputes between the roads at their request, and to act as a central accounting office. In the recent revision of this treaty which went into effect in 1928, the international machinery was strengthened by the addition of an expert commission, whose duty it is to watch the administration of the act, and to make suggestions for its improvement and for regulations which must be acted upon by the governments, if a majority of the commission sees fit to recommend them.

INTERNATIONAL AIR NAVIGATION

The infant of twentieth-century communication, the navigation of the air, was born into a world which had become accustomed to common regulation of international ways of communication; but had this not been so, the idea would necessarily have had to be adopted, for this lusty infant rapidly outgrew the swaddling clothes of national control in which it had at first been enveloped. Impracticable for river and railway transport on the European continent, purely national regulation of air commerce was impossible. The development of the great network of air lines now crossing Europe would have been unthinkable without continental regulation of air navigation.

The International Air Navigation Convention of 1919 assures freedom of passage of planes of one signatory state through the air space under the "complete and exclusive sovereignty" of each of the others and requires that all regulations in force within that area be applied equally to every aircraft. Equal rights and rates in aërodromes are likewise granted to the airships of all states.

In the detailed provisions of the treaty and its annexes appears the inconvenience of the lack of an international administrative authority to which the making of rules and regulations may be referred. Clearly, the rules of the road in the air must not change each time an airship crosses an invisible boundary line, and yet rules for regulation of the traffic must be sufficiently detailed to make the air safe; so detail in national legislation left to administrative officials is necessarily set out in full.

One section forbids an airplane passing an aircraft it has overtaken by diving under it but requires passing on the right. The lack of international ad-

ministration likewise prevents the setting up of an international licensing body. This renders it even more important that the conditions which individual pilots and their craft must fulfill before they are allowed to pass over the territory of the union states be set forth in detail in the regulations. The details of warning signs and ground signs must also be included. The regulations even contain "rules for air traffic on and in the vicinity of aërodromes."

The usual system of calling a diplomatic convention, in which every state may have its veto, to make changes in so detailed and complicated an international statute would be clumsy enough but the added delay and the difficulty of assuring ratification from each party would unduly complicate the situation. Recognizing the need of a more pliable instrument of common action, the signatories of the Convention set up a permanent Commission of one member from each state and allowed it by a three-fourths vote to amend the regulations, though not the statute itself. The amendments go into effect without the necessity of the approval of the governments—a long step in advance in the organization of the society of sovereign states to carry on its non-political business. Disputes under the Convention and the regulations must be referred to the Permanent Court of International Justice at The Hague, whose importance in deciding questions involving what one might call the business affairs of the nations is growing and is perhaps as significant as its function of settling more striking differences.

POSTS

It would be just as impossible to transact business on a world scale without a free use of the postal service and other means of transmitting informa-

tion as it would be to transport goods under modern conditions in the midst of a wholly anarchical world of sovereign states.

The necessities of the case have forced upon governments, often at a substantial sacrifice, the organization of the International Postal Union comprising practically the whole civilized world, so that an individual can drop a letter into a mailbox in New York, addressed to his friend or business associate in Siam or Singapore. The countries in the Union form a single postal territory for the reciprocal exchange of correspondence.

The five-cent stamp required by the International Postal Convention will carry a letter to almost any point in the world. The Convention is a permanent working arrangement between the postal administrations of the world and has kept that important public service out of international politics and in the hands of the experts of the postal administrations of each country.

The Union makes its own rules through its own conventions which are composed of postal officials, and the acceptance of the governments is in most cases a formality. It interprets its complex rules and regulations through its own international bureau and, finally, it arbitrates any disputes which arise through representatives of postal administrations selected by the administrations which are at odds.

The Union is a remarkable example of what the administrative services of the governments can do when they are not hampered and their work confused by diplomatic officials and political considerations. "Keep politics out of business" is a slogan as applicable to international as to internal affairs.

RADIO

Just as the conquest of the air made international control of navigation a

more immediate necessity, so the use of the radio brought out more vividly than ever before the interdependence of nations. Especially is this true on the European Continent, where state boundaries are comparatively close. The ether waves which carry radio messages laugh at national legislators and cannot be controlled from Berlin or Paris or Washington; they are delicate and self-willed servants of the winged-heeled Mercury. Sending stations must be accommodated to their whims; they will not accommodate themselves to any principle of national sovereignty. If a sending station in Berne is duplicated by another in Milan using the same wave length, there will result a confusion and a disturbance of the wave length which will render both stations useless.

For this reason, and because their number available for service is limited, if the ether waves are to be used at all, they must be used under international regulation, whatever political theorists or isolationist statesmen may think. The radio also compels inter-continental as well as continental coöperation. Not only is there the increasing necessity for the allocation of short wave lengths, notably among competing stations on the same continent sending messages to other continents, but also there would be little advantage in sending a message from a station in New Jersey if the sender were not sure that it would be received by a British, a French, or a Chinese station at the other end, and that it would be forwarded under reasonable conditions to its destination. A poet might be willing to send an idea out into the air and be satisfied if he found it again in the heart of a friend, but a business man wanting to sell cotton in Manchester or buy rubber shares on the London Stock Exchange is a little more definite both as to time of delivery and as to recipient.

We are all aware of the important part that radio transmission plays in the safety of ships at sea, the international territory par excellence. If vessels of different countries were not so equipped as to be able to send and receive messages of distress, an important means of assuring the safety of those who go down to the great waters would be unavailable. The age-old obligation of a seaman to succor another seaman in distress implies the common use of this new agency and its common regulation by all the sea-faring states.

The necessities of the situation have triumphed over legal and national obstructions, and the International Radio Convention now in force has taken a long step towards the regulation of this great world public utility in the interests of the people of the world.

LEAGUE OF NATIONS

The League of Nations added a quickening force to the already wide movement for international regulation of ways of communication. The members of the League bind themselves by the Covenant to "make provision to secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all Members of the League."

An organization has been set up to carry out this purpose without interference with the many international conventions already in force. Every four years there assembles a conference on communications and transit, composed of representatives from nations outside as well as those within the League. At the last conference, in 1927, the United States was represented by the American Minister at Berne and by three experts: the Counsel of the Shipping Board, the Chief of the Transport Division of the Department of

Commerce, and the Assistant Director of the Bureau of Inquiry of the Interstate Commerce Commission.

The conference deals with all questions involving international communications; it has prepared general treaties on international waterways and on railways, and an international treaty establishing freedom of communication and equal treatment on the ways of communication for the citizens of all the contracting states. It has delved also into intricate details of international shipping documents, of ports, and of other technical matters, such as the transit of electric power between countries, and questions brought up by governments or through the experience of the League organization which need solution to smooth the path of international business.

In addition to the conferences which may make recommendations to the governments, the Transport and Communications Section of the Secretariat is constantly studying the questions raised at a conference or brought to its attention by governments or railway administrators or organizations of shippers, and is constantly watching the operation of the treaties already in force.

Between the permanent Secretariat and the conference stands an advisory committee of technical experts appointed by countries elected for the purpose by the general conference or countries permanently represented on the Council of the League. This committee has as advisers, technical representatives of international organizations whose work is concerned with ways of communication, such as the river commissions, the railway unions, and the International Chamber of Commerce. The voice of the business man and of the expert is heard in the midst of the committee and of the general conference, so that as far as pos-

sible, the settlement of problems of international control of ways of communication rests in the hands of technical groups trying to get results in this particular field, and is divorced from the influence of political representatives of governments, who are likely to see the needs of the business man and the transportation operator through a haze of politics and conflicting interests in the whole wide field of international relations.

INTERNATIONAL COMMUNICATIONS CEMENT PEACE

In a recent address in Kyoto, Professor Toynbee said that the great conflict of interest in the world today is that between international business and the spirit of nationalism entrenched in the governments of the sovereign states. This is no new phenomenon, but the strength of international business as against nationalism in the narrow sense is growing rapidly and is

perforce bending that nationalism to meet its necessities.

The organizations discussed in this paper are tendencies which have grown up to adjust the machinery of sovereign states to international business and social intercommunication. All but one date from the 1870's. Their number has rapidly increased in recent decades. Furthermore, the willingness of governments to confide power to international organs has been increasing steadily.

In this paper, only a sketch has been given of strands in the vast network of agreements which lay down the rules for carrying on international communications, and upon which must be based hope for the growth of that spirit of community among the peoples of the world, expressed through their governments or through their private organizations, which will help to form the international mind and cement peace among the nations.

World Peace and the Rivalry of Merchant Marines

By HORACE B. DRURY, Ph.D.

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IN examining the possible effects on foreign relations of efforts to expand a merchant marine, a distinction should be drawn between the consequences that necessarily come from the mere fact of expansion and those that come from the particular methods which may be employed to aid that expansion. First, let us consider the extent to which contemporary growth of merchant marines, as growth, may be harmful to world peace.¹

FORMER VIEW OF MERCHANT MARINE EXPANSION

There have been periods in the world's history when an expansion of a nation's merchant marine such as America is now attempting would almost inevitably have had grave international consequences. Not much more than a century ago, the growth of the American merchant marine of that day was a source of displeasure to Great Britain, and the friction growing out of this development was a leading cause of the War of 1812. I do not profess to know what were the real causes of the late World War, but among the contributing factors we should probably list the industrial and commercial rivalry of Germany and Great Britain. No doubt the competition, actual and prospective, of the merchant marines of the two countries formed a part of that situation.

At the present time, fortunately, we need not think of merchant marine rivalry in terms of actual war. Much

has been changed in the world since 1812. As for the late war, whatever weight different observers may attach to the prewar commercial rivalry of Germany and Great Britain, I take it that the main struggle between those countries was for colonies and trade, for markets and for raw materials, and that ships, while useful in expanding trade, were not in themselves a major bone of contention. In any event, loss of the war has not stood in the way of Germany's prompt return to high rank on the seas.

Although at this date no nation in the world would consider going to war in an effort to keep an American merchant marine off the seas, it would be too much to expect those countries which have been carrying our trade and that of the world to really welcome the growth of American competition.

The chief nation which must be adversely affected by the program of the United States is, of course, Great Britain. For three centuries, England has been dominant on the seas. For many decades, she has carried more than half of all the world's sea-borne commerce. The shipyards of the United Kingdom have built and are today building more vessels than all the rest of the world put together.

In contrast with the record of Great Britain, American-flag merchant vessels, in the ten years preceding 1914, carried an average of only ten per cent of America's foreign commerce, and, of course, little if any commerce other than our own. American shipyards of the prewar period were built and equipped primarily to meet naval requirements, and, for years preceding

¹ Owing to my greater familiarity with the American situation, all that I shall have to say in this discussion will have special reference to the American merchant marine.

1914, had engaged in no merchant ship building of consequence. They were practically limited to coastal vessels and small miscellaneous craft.

EXTENSION OF AMERICAN SHIPPING

The great fleet of vessels built by the United States during the war was more or less of a historical accident; but during and since the war a national sentiment has crystallized which is consciously striving to build up a real merchant marine. With the coming of peace, the war-built vessels were promptly put into merchant service and for ten years have been operated, first by the Government and then largely by private companies. For some years now, American ships have been carrying, not one tenth, but about one third of America's foreign commerce.

It is the plan, moreover, not only to hold this gain, but to go further. The preamble of the Merchant Marine Act, 1920, declares

that it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency . . . and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine.

Eight years later, in the Jones-White Act, Congress evolved a practical plan for the encouragement of American shipbuilding and ship operation which has already led to plans for the building of more than sixty vessels and has placed the United States in shipbuilding practically on a parity with Germany, which is second only to Great Britain.

To return to the question which is before us, it cannot be denied that com-

petition on this scale must give rise to a certain amount of hardship in Great Britain and make more difficult the reestablishment of British industry on a satisfactory footing. It means less employment in British shipyards and less traffic for British ships. To a lesser extent, other countries also are affected.

Such hardships are, however, in no essential way different from those that attend international competition in any industry. The growth in the United States of a textile industry, our development of a steel industry, our expansion of the automobile industry and the motion picture industry, our increased trade with South America, Africa, and the Orient, our development of international banking institutions, our attainment of financial independence for our railways, which were at one time largely financed abroad—all these developments have at this juncture an adverse effect upon Britain's employment problem, her business profits, and her national income, which may well be compared with that caused by the growth of our shipping.

It should be noted, moreover, that there is no likelihood that the development of an American merchant marine will at any near time blot out or reduce in a radical way the merchant marine of any other maritime country. At present, it costs materially more to build a ship in the United States than abroad, and materially more to operate it under the American than under a foreign flag, in the case of most trades. There can be practically no expansion of American shipping outside of the protected trades except by the aid of substantial Government support. To carry out the mail contract program already authorized will require Government expenditures of thirty million dollars a year. Under these circumstances, which must necessarily persist

for some time, it is not likely that Congress will carry its support of shipping much beyond its original plan, which contemplated a division of service between American and foreign vessels. That would leave about half of our own commerce and practically all of the commerce between foreign nations available for other merchant marines.

INTERNATIONAL TRADE RIVALRY

It may be argued by some that it is not so much the loss of a few ship-building contracts and certain freight revenues which will disturb our British friends, but that they will fear that the establishment of American trade routes to South America, the Orient, Russia, and elsewhere will further American penetration of these markets. That, however, is not so much a rivalry in merchant marines as in trade. If international rivalry in salesmanship is necessarily harmful, then the building of rival merchant marines must be harmful, because they intensify that competition. On the other hand, if the establishment of parity in international competition for markets is a helpful thing, then the building of rival merchant marines, each to secure the best possible service from their respective countries, is likely to prove beneficial.

My own feeling is that rivalry in merchant marines on that basis which seeks primarily for a fair participation in the carrying trade from and to the country involved, is a force making for better mutual understanding and better international relations. In the case of our own country, it means the establishment of contacts abroad which bring us closer to the thought and the problems of other peoples. To make a success of trade and transportation with another country, it is necessary to get along with the business interests

in that country, and also to come to some sort of working understanding with competing transportation companies.

To illustrate the first point, it may be noted that our American shipping companies have established great chains of offices within foreign countries. They have had to employ representatives who understand and have the sympathy and friendship of importers and exporters abroad. If cargoes are secured only in the home country and the vessels come back in ballast, operation is highly uneconomical. The successful steamship company must secure as large a share as possible of the cargoes originating in the foreign country. The steamship or motorship owner may and should be a good American, but he must also be international in his outlook.

SHIPPING RELATIONS ARE PEACEFUL

As regards relations with competing foreign steamship lines, these, as in the case of all competition, are checkered. At times there are rate wars and battles for elimination. But on the whole, the relations between steamship companies of different nationalities are peaceful. Warfare is too expensive. To an ever greater extent, services rendered and rates charged are subject to conference agreements. These agreements are recognized under our law, when approved by the Shipping Board, and are in fact approved in great numbers. They are, it is true, loose and changing. Periods of agreement are followed by periods of disagreement. But the strife is usually entered into with a view to compelling agreement on some desired point, and the whole matter causes no more friction than is normal in business.

So far, no serious foreign complications have been encountered by the United States in its efforts to re-create

a merchant marine. In the early days when the Shipping Board was striving to establish what eventually became thirty-eight permanent services linking the United States with all quarters of the globe, its efforts were met with a great deal of criticism at home and skepticism abroad. It was believed that much of the opposition at home was inspired by the manifold business interests in this country which had connections with foreign-flag shipping. It was difficult to get patronage for American ships because of a feeling that the lines were temporary, and because of a disinclination to incur the disfavor of the well-established foreign lines. There was also a disposition in many quarters for the established foreign lines to resist the entry of the United States into the field.

The brunt of that contest has, however, now been passed. At home and abroad it is now believed that Americans are in ocean shipping to stay. The American lines are becoming more stabilized and there are fewer areas of disturbance.

Naturally, there are various problems that remain to be solved and there are various steps which the United States or foreign nations may or may not take which might cause more or less of a contest, mainly of a commercial sort, between them. I will mention as many of the possible sources of friction or disagreement as I can call to mind. This does not mean that all action along any of these lines is to be shunned, for we cannot expect the path of progress to be absolutely smooth; but these are matters which may become international issues, and therefore deserve attention.

DISCRIMINATING DUTIES A POSSIBLE ISSUE

Perhaps the most important issue which might affect international rela-

tions is that respecting discriminating duties. It will be remembered that in the days of the original glory of the American merchant marine, in the first quarter of the nineteenth century, the tonnage dues on a foreign vessel entering a port of the United States were much higher than those on an American vessel, and the tariff on goods brought in on a foreign vessel was higher than the tariff on goods brought in on an American vessel. This gave to American vessels an advantage in trading through their home ports which extended to the foreign trade a measure of that protection which has become absolute so far as the domestic trade is concerned. Other maritime nations practiced similar discriminations during this period.

In the course of time, however, the United States entered into reciprocity treaties with other nations, by which, first in the direct and then in the indirect trade, these discriminations were mutually abandoned. This left the foreign trade open to competition and to the predominance of the strongest maritime nation, which proved to be Great Britain. Many students have held that the key to a restoration of America to a place in her foreign carrying trade lay in the reestablishment of discriminating duties. This has been urged particularly with reference to the indirect trade. That is, permit Argentine and American vessels to trade between Buenos Aires and the United States on an even basis, but place on vessels of any other flag which engage in this trade a larger or smaller handicap.

The Merchant Marine Act, 1920, contemplated the use of this plan and in the following language directed the President of the United States to pave the way. Section 34 of the Act declared:

That in the judgment of Congress, articles or provisions in treaties or conventions to

which the United States is a party, which restrict the right of the United States to impose discriminating customs duties on imports entering the United States in foreign vessels and in vessels of the United States, and which also restrict the right of the United States to impose discriminatory tonnage dues on foreign vessels and on vessels of the United States entering the United States should be terminated, and the President is hereby authorized and directed within ninety days after this Act becomes law to give notice to the several Governments, respectively, parties to such treaties or conventions, that so much thereof as imposes any such restriction on the United States will terminate on the expiration of such periods as may be required for the giving of such notice by the provisions of such treaties or conventions.

These instructions were not followed by Presidents Wilson and Harding, nor have they been carried into effect by the two Presidents who have succeeded them. It has been held by the State Department that such a course would throw us back to where we were a century ago—that it would lead to retaliation wherever it would harm us most. Many shipping men also regard the policy with doubt. The matter is, however, still being urged, and in the present Congress a bill has been introduced which, although it is confined to laying added taxes on ships engaged in the indirect trade, is essentially based on the same line of thought.

COMPETITION IN HAVANA TRADE

The continued advocacy of discriminating duties in this country is in large part due to the efforts of the Cunard Line to establish itself in—or, as it is claimed here, to dislodge an American-flag line from—the service between New York and Havana. The Ward Line is one of the very few old American-flag lines in the foreign trade. The profit in the Havana trade is seasonal. The possibility of maintaining

a year-round service, as the Ward Line is required to do by its contract with the United States Government, depends, so it is claimed, upon its doing a heavy business during the winter months. In the transatlantic passenger trade, winter is the dull season. The winter before last, the Cunard Line sought to realize upon its superfluous tonnage by temporarily placing the "Caronia" in the Havana service. Last winter the same course was followed with the "Mauretania." The Cubans were naturally pleased at this attention paid to them; but the Ward Line regards this practice as an attempt to invade what is for the Cunard Line an indirect trade but for the Ward Line a direct one, and by these seasonal activities to undermine and perhaps drive from the field an established American line.

The United States Government has been sympathetic with the plight of the Ward Line, the more so in that the company is building two large vessels for the American merchant marine. The first winter the Shipping Board placed a transatlantic liner in the Cuban service in competition with the Cunard Line, and this year the Post Office Department authorized extra runs with mail contract pay to the Ward Line. This incident is almost the only one where real international friction has developed having a bearing on our merchant marine.

SEVERAL MINOR DIFFERENCES

Another matter which almost falls in the field of foreign relations is the proposal to extend the coastwise laws of the United States to include the Philippine Islands. By Section 21 of the Merchant Marine Act, 1920, such extension was to take place on February 1, 1922, provided that, if adequate shipping service was not established by that time under the American flag, the

President should extend the period during which the coastwise laws were not to apply. The Shipping Board has repeatedly gone on record to the effect that American vessels are in a position to give adequate service, but no President has seen fit to proclaim the extension. The Philippine representatives in Washington have protested such extension and the State Department has also taken a strong position in opposition.

Passing on rapidly to other issues, from time to time it has been urged that American vessels using the Panama Canal be given, directly or indirectly, some preference as regards tolls. In deference to the spirit as well as the letter of our treaty with Great Britain, this has not been done.

Rivalry of ports rather than of merchant marines is responsible for a situation in which commerce imported into Canada through Canadian ports has a tariff preference over that imported through ports of the United States. This has given rise to dissatisfaction in the United States, and to the proposal to make a parallel discrimination here against American imports coming in through Canadian ports.

The efforts of the American seamen to raise wages on the vessels of all nations led to the inclusion in our Seamen's Act of provisions permitting the desertion of seamen from foreign vessels in American ports and giving them the right to claim certain wage payments. Also, other requirements touching the personnel of foreign vessels have been incorporated in our laws. This line of legislation, both that in effect and new measures proposed, might be regarded as conflicting more or less with the jurisdiction of other governments over the same matters. However, opposition to the Seamen's Act, much of which I should regard as unjustified, has probably

been quite as strong among American shipowners, especially in the early days, as among foreign shipowners.

Conflicting national regulations touching the safety of ship construction and operation will give place to international standards in these respects if the treaty drawn up at the late International Conference on Safety of Life at Sea is ratified. The ratification of this treaty is opposed by our seamen, who wish our Government to impose its own, and as they believe, higher standards. Unquestionably, however, world standards are in many respects advanced by the treaty, especially in ship construction.

In view of the program of limitation and eventual reduction of naval armaments, the bearing of merchant vessels on naval strength should not be overlooked. I think it is safe to say, however, of the merchant shipbuilding now in progress throughout the world, that nowhere is it viewed as a naval menace or as an irritant to world peace. One of the reasons for building up the American merchant marine is to aid in defense in case we should be at war, or to serve our commerce in case other nations should be at war. However, our merchant marine is so far below the parity accorded our naval vessels that no international issue could here be raised.

There is one very real problem connected with the rivalry of merchant marines, but it is primarily an economic problem, and touches only indirectly the international field. That is the tendency of merchant marine rivalry to lead to overtonnage, duplication of services, and perhaps excessive refinement of service. On the surface, our own country would appear to be the greatest offender in this matter, with our completion after the war of the ships begun during the emergency, and the large sums of money which we are

now appropriating with the requirement to build new ships. However, all the chief maritime nations have largely rebuilt their merchant marines with vessels of more modern type since the war. Germany and other European nations have been fully as active as the United States in the effort to win and to hold the leadership in the prized North Atlantic passenger service. Due partly to this, but also to other causes, shipping, the world over, is in a badly depressed condition and there are many danger signals ahead.

INTERNATIONAL AGREEMENT WOULD SOLVE PROBLEM

The logical solution for this, the ultimate problem of merchant marine competition, is agreement between the countries as to what services each shall maintain. One of the best illustrations of an attempt to attain this is the pooling arrangement in the New York-to-Antwerp-and-Rotterdam trade entered into between the United States Government and the Red Star Line, the Lloyd Royal Belge, and the Holland America Line. This agreement, reached after a protracted struggle, not only limits the number of sailings to be made by each party, but provides that all earnings

shall be divided on a prearranged basis, regardless of the amount of traffic carried by the respective lines. By this agreement, the United States won for American vessels the right to a definite participation in a trade which had formerly been closed. At the same time, excessive service and competition was precluded.

I trust that sometime international transportation at sea will in general be prorated by international understanding. This will not be agreed to abroad, however, until the United States has first demonstrated its ability to hold its own in competition.

No one knows just what problems may arise in the future, but at the present time it would seem from this brief review of the possible sources of trouble that there need be no fear that merchant marine rivalry will create international issues of a serious nature. Such friction as from time to time has arisen has been neither deep-seated nor permanent. As for our own Government, while in some ways we have thrust ourselves into the arena of merchant marine competition, in other respects it would appear that we have fairly leaned backward in our effort to avoid offense.

International Broadcasting: Now and in the Future

By WILLIAM S. PALEY

President, Columbia Broadcasting System, New York City

LET me begin by telling you of an interesting experience in which we had a share. A concert program was broadcast recently from New York at 1:00 A. M. on Thursday. That concert was heard in San Francisco on Wednesday night, in Germany on Thursday afternoon, and in New Zealand on Friday night. Yet it was the same concert, and every one of these countries heard it not a fraction of a second after it was put on the air in New York. The size of the world made the startling difference in the dates. And it made a further difference. It was spring in New York when the concert began; a fraction of a second afterward it was heard at Buenos Ayres during the fall of the year.

SCOPE OF RADIO

These facts emphasize in a graphic way that radio broadcasting has become as wide as the world it covers—as wide as the physical world, whose boundaries the concert mentioned above explored in fairly thorough fashion, and as wide as the world of thought, whose boundaries are inexplorable.

It is the world of thought in which we are perhaps more interested today than in the physical world, or, to put it in an apposite way, we are interested most in the opportunities which the physical world gives us to enter through radio broadcasting into the world of thought.

That is the function of international broadcasting. It is the gift that science and invention have given to the promotion of international amity. It

has been bestowed upon us while most of us have been unconscious that any attempt was being made in that direction—while we have rested oblivious in the present-day acceptance of scientific progress as something to be taken for granted.

While we have slept, so to speak, the "circumambient ether" of the classic writers, as still for centuries as it was in their time, has taken on a voice. That voice speaks to all the people of all the nations at the same time. Its accents speak the weighty opinions of statesmen, or send forth the regular cadences of music or the friendly chatter of amateur radio experimenters and enthusiasts, with a little of everything else sandwiched in during the intervals.

Whatever is to be the future of this sudden new exchange between human beings, it is already a settled feature of human life. It is one of our fixed institutions. It enters into nearly every home, in whatever spot on earth that home may be. It has its effect on every human mind. What this new institution is destined to do for humanity is a question that still awaits its answer. But this much is certain—it is the voice of humanity itself, and it will be wise in just the degree that humanity itself is wise.

CHARACTER OF BROADCASTS

This child of yesterday is disclosing a character that need not fear inspection. Radio began its career with a child's curiosity in itself. Its early experimenters were interested in it chiefly as a toy. They sought little beyond flinging these mysterious waves

as far as they could and learning how clearly they might be heard. Now, we begin to be very much concerned with just what kind of matter it is wise to entrust to these waves—and a highly critical public feels an even greater concern!

Speaking for one of the agencies that have made a business of floating this ceaseless stream of intelligence into the ears of the world, I can testify that we are awed by the power that has been placed in our hands and are unitedly resolved to use it only for good. This resolve is no mere pious gesture. We are driven to the best use of this new human institution, for what we do is overheard by the entire world, and it is now a critical world. If we fall one jot below what this ever more exacting public expects of us, we are sure to be punished with failure, commercial and otherwise, certain and deserved.

We never forget that here in America alone, we are listened to and watched by tens of millions of people. Somewhere, some of them are constantly on the alert, every hour of the day and night. They keep us fully aware of that fact with the thousands of letters we receive. We cannot slip on the slightest trifle or fact, we can scarcely sound a flat note in music, but hundreds of these listeners let us know that they have noted the slip.

HISTORICAL SKETCH

Every fact in the story of radio, brief as that story is, proves that we have risen to the public demand as fast as we could. The truth is that the whole institution of radio and broadcasting has been brought into existence by this public demand, this hunger of men to know and exchange ideas with each other.

Much of the story you already know. Only a little more than fifty years ago, a group of German experimenters were

amazed to find they had been exchanging signals through a broken wire submerged in water—and the Hertzian waves were discovered. Thirty-one years ago, Guglielmo Marconi exchanged signals across the Atlantic. In other times this might have been left for years as a scientific curiosity; but immediately the world seized upon this discovery and insisted on putting it to practical use. The result was wireless telegraphy. In the hands of Jack Binns it saved the steamer "Republic" from what would have been a disaster of the seas. It called rescuing vessels to the sinking "Titanic" and although that disaster was appalling, its toll of death and destruction was somewhat lessened by the aid of the new voice of the air.

That event was a turning point in the progress of radio. Eager experimenters jammed the air with a welter of voices. Up to the year 1912 any one with the necessary number of dimes to buy the parts could set up a sending station. But again the world stepped in and enforced order. In response to a sweeping public demand, an International Convention, composed of all the leading nations, established a law to regulate the sending of wireless signals. It was a sort of Interstate Commerce Commission applied to radio, on a world scale. By will of the people, expressed through the channels of government, radio was taken out of the experimental stage and set on its orderly way.

Since Marconi, numbers of people have contributed to the perfecting of broadcasting, but to Lee De Forest must go everlasting credit for one great step ahead. With his three-element tube, constructed on the principle of making a vacuum tube generate radio frequency currents with control of those currents through another vacuum tube, he took radio out of the wireless

telegraphy stage and made it carry the human voice itself. Broadcasting may be said to have begun with that great stride ahead.

RAPID PROGRESS

Broadcasting is now earnestly and sincerely dedicated to the cause of peace, yet it is only honest to look back and give credit to the progress it owes to the war. Beyond question, the stern necessities of conflict spurred the inventor to accomplish in five years the advancement that might otherwise have taken twenty-five. One of the factors that led to the first attempts in wireless telephony was the need of battleships to keep in touch with each other through fog or any other impediment. Those forced experiments have enriched the world with vast extensions to international commerce.

It is a point of historical interest that President Wilson was the first statesman to make use of this new means of bridging space, with the special installation on the "George Washington" that enabled him to talk with his aides on other ships.

No sooner had the war ended than again the economic and mental hunger of the world seized on the new voice of the air and demanded that it be adapted to the needs of business and to purposes of entertainment. That demand alone can account for the refinements of the wireless telephone that have been added to the service in the dozen short years since the war.

Such has been the growth of this new child of science in a comparatively short number of years, and yet we who assist its further progress still regard it as a child. Not one of us has the slightest doubt that the next few years will see even more rapid growth.

In Philadelphia, during the track meet at the University of Pennsylvania, one of the men of the Columbia Sys-

tem appeared with what might almost be called a pocket sending station strapped to his back. To put it exactly, it was the size of a small suitcase. For an antenna he used a metal tube about the length of an umbrella handle. Before him he carried a "mike" which he presented to all and sundry, inviting them to broadcast. In his wanderings he even got into the hospital and asked a patient to tell how he felt. "It hurts," said the patient, and his words went all over the United States. The waves from that knapsack were picked up by receiving sets in the grandstands and from there rebroadcast all over the country. Who will deny the coming of the day when any man may have his own portable sending station?

What you wish me to tell you, however, is not the mechanical advances we are making in throwing sound on the air, but how we are using the air for the good of mankind. What are we doing for the economic enrichment of the world, and for the advancement of peace?

THE LONDON CONFERENCE

Let me answer the question with facts. When the recent Disarmament Conference was held in London, you heard, thanks to the willing aid we received from the American Telephone and Telegraph Company, that memorable conclave opened by King George, with addresses by Prime Minister MacDonald, Secretary Stimson, Premier Tardieu, Foreign Minister Grandi, Mr. Wakatsuki of Japan, and other dignitaries. Although the difference in time forced the American audience to listen at six o'clock in the morning, millions did so and thousands have written to tell us of their thrill in participating in one of the trail-blazing steps toward concord in international relations.

I have learned that King George has

in his study the original of a cartoon published at the time in a London paper. It pictures a sleepy American in his pajamas listening with a yawn to the royal address of welcome. The cartoonist has given to his picture the title, "An Audience with the King."

We supplemented the broadcasting of the opening of this event with reports by Frederic William Wile, political analyst of the Columbia Broadcasting System, who at regular intervals gave a resumé of occurrences as they developed. In addition we presented to the American and Canadian radio audiences, members of the American delegation who spoke directly into the homes of the people on this side of the world. They included Secretary of State Stimson, Secretary of the Navy Adams, Hugh Gibson, Ambassador of Belgium, and members of the Conference, Senators Robinson and Reed.

It was also our great privilege to broadcast in connection with the Conference the comments, the analyses, and the observations of Prime Minister MacDonald, Lady Astor, Philip Snowden, Chancellor of the Exchequer, Viscount Cecil, and the Bishop of London.

The response of the press and the listeners-in to these notable broadcasts testified to their real value in promoting international accord and understanding.

OPPORTUNITY OF RADIO

In carrying the London Conference through the air across the Atlantic, our great task was to bring it over without the loss of a syllable in spite of impediments due to the weather. To do this, we had to employ two channels at the same instant. One channel had a wave-length of thirty meters, the other a length of three thousand meters. One channel was received in Maine, the other in New Jersey. You got the

perfect result because engineers at these receiving ends kept constant check on which of these channels was giving the better service under the conditions. No effort was spared to give you every syllable of this historic endeavor to scale down the risks of war.

The broadcasting agency cannot initiate great political movements; they belong in the province of government. But the broadcasting agency can initiate movements for international understanding by opening opportunities for ambassadors of foreign countries to explain their people to ours. The broadcaster can also render these ambassadors incalculable aid by reporting them in the fullest manner, thus securing their maximum effect. Probably never in the history of international relations has so eminent a galaxy of personages addressed the world within a brief span of time as we were able to put on the air during the London Conference.

Radio is helping to tear down the secrecy that once surrounded international negotiations. It is helping to diffuse that determination for peace which must support the efforts of the statesmen if their measures are ever to abolish the risk of war. Our privilege and opportunity is to make full use of this agency for the spread of enlightenment and understanding.

On the economic side I believe we can truly say that with constant extensions of the radio we are locking the world together in the bonds of commercial relations—and business is quick to rebuke the disturbers of its peace.

RADIO COMMITTED TO PEACE

Speaking officially for the company which I head, I affirm that we are wholeheartedly committed to a policy of fostering international good will. We are putting this policy into effect in all directions. We are now organizing

a perfected system of international exchange of radio programs. One of the problems to which we are giving attention is adjustment of the differences in time between continents.

We throw our resources open to the convenience of men whom it is important to hear. Thus, *The New York Times* was able to say in high editorial good humor the other day:

Nothing like the radio for enabling a public man to keep his engagements! Secretary Stimson had expected to be present in person at The Associated Press luncheon yesterday, but was delayed in London. Yet he was able to make his speech just the same. In fact, through its clear reproduction here, it is probable that he was better heard than if he had been actually in the room without an amplifier to carry his recognizable voice to all parts of it. It was one more proof of the way in which radio goes on annihilating both space and time.

To that we may add the technical fact that Secretary Stimson's American hearers heard his voice before it reached the ears of those who were with him in the London room where he spoke. The ether waves brought it to America before the sound waves sped from his lips to those who were near him in person.

Broadcasting is perhaps the most powerful influence of the present on the mind of the world. If you would know what it is doing for the material advancement of mankind, ask yourselves what the world of commerce could do without it. If you would be sure as to what quality of entertainment we offer these millions who listen to every sound we utter, read the thousands of letters we receive. As for what we have accomplished for the cause of peace, you would be moved, I am sure, by the comments that poured in when we delivered to America Lord Cecil's tribute to the late Chief Justice

Taft and his services in behalf of world peace.

I should like to speak, however, not only of what we have accomplished, but also of what we may be able to do. I can honestly say that the prospect humbles us. Within five years I believe television will be perfected and in a few years beyond that it may be a commonplace in our commercial and social life.

Before the advent of radio we were deaf to our fellow-beings on the other side of the globe; only yesterday we talked to Admiral Byrd though he was deep in the trackless snows of the farthest spot on the earth. We still are blind to the man at a distance; tomorrow we shall see him. International television will come.

Emerson has written that "daylight is the best policeman." With the eyes of the world focused every hour of the day on the actions and reading the very face of any important man, the chances are lessened that any individual or any tendency can arise to unsettle the economic interests of the world or the cause of peace.

CONCLAVE OF NATIONS

One thought I should like to leave with you. We of the Columbia Broadcasting System are especially proud of what we call our Conclave of Nations—that is, our arrangements for presenting to the entire country the ambassadors and the ministers of foreign lands. They talk no politics. Instead, they describe such things as the music of their people, their tastes and habits, all in a vein of neighborly gossip. The whole purpose of it is to make the peoples of the world feel at home with each other as folks of one big family. That certainly is a contribution to understanding, good feeling, and world peace.

During the centuries, the betterment of international relationships has made

speed in proportion as the people themselves have taken a share in it. In the beginning, international relations were in the hands of the statesmen and the diplomats. They were frankly cynical and there was no effort beyond selfish treaties of alliance for defense and offense. It was not until the consciousness of their peoples aroused itself that improvement was forced. The statesmen heeded. Their international ethics developed in quality as the people demanded it.

But again, the participation of the people was at first only through the pioneers of thought, who are always a minority. They taught others and through mass efforts development has been produced. Today we stand on the threshold of an era when all the common people of all nations will actively consider the need for friendship between nations.

International broadcasting offers the means to this end. With the common people of all nations brought into contact with living voices of all sorts and conditions of men among their neighbors, they will know each other in the truest sense.

One of the principal factors in building up the international voice has been the work of amateur enthusiasts. It has always interested me exceedingly to find that hard-working men in our employ are as thrilled as you with this sudden new wonder of girdling the earth with sound. These men can hardly wait for the end of their working day to rush home and try new feats on their private transmission sets, or to compare notes with friends on the other side of the world.

These friends may be persons they never have seen. They may live in the Argentine, in Germany, Australia, Sweden, or Timbuctoo. Wherever they are and whatever their nationality, they are to each other always Jack or

Bill, Hans or Olaf. They may live thousands of miles apart, and yet they are as near in spirit as if they were brothers, and they always address each other as brothers.

As these representatives of the common people send their cheery greetings into the night and across the spaces to each other, there is no mistaking the fact that they are friends, and that radio has made them so. That spirit, I believe, is ultimately to be the spirit of humanity as a whole. I further believe that we who broadcast must rise to that spirit, or be driven back to the silences from which we came.

RADIO PROMOTES MUTUAL UNDERSTANDING

All people, of whatever nation, love song and laughter. Its language is universal. There is no difficulty in understanding it. The Frenchman may laugh with Harry Lauder and the German with Maurice Chevalier. And they have always understood each other's music without the aid of an interpreter.

This peculiarly close and intimate contact will bring home the realization that all men are friends and neighbors, thinking the same thoughts and liking the same things, one laughing at the identical humor that excites another to mirth and catching the same note of pathos to which the other is sensitive. This realization will be permanently implanted in the hearts and minds of the people of all nations.

This is the real and lasting contribution that international broadcasting can make to world peace. The diplomat and the statesmen may enunciate the detail on which better political relations may be brought about—but it will be the people who will decree the principle. It is surely not too fanciful to vision such broadcasting as the

agency which can help most to bring about this condition of affairs. It is fact for many of us, and we consider ourselves hard-headed men. We shall

not be deterred from doing our share in translating into actuality our belief that we can serve international understanding.

Electrical Communication Services and International Relations

By COLONEL M. C. RORTY

Vice President, International Telephone and Telegraph Corporation, New York City

THE question of the control of international transportation and communication—whether by private corporations or by governmental agencies, and whether related to the regulation of rates and charges, or to the requirements of national defense, or to the furtherance of national political and economic objectives—is one that is peculiarly tangled and controversial. I shall, therefore, take to myself the simpler and perhaps, on the whole, more useful, task of outlining the uses and the purposes, the present position, and the probable future development of international electrical communications.

There is no question that international electrical communications are, and always will be, subject to some form or forms of public control. The important thing is that this control shall be exercised in the light of a proper appreciation of the special characteristics of such communications, and with due care to avoid unnecessary and hampering restrictions upon their natural economic development.

In the days before the development of electrical communications, the lines of transportation which carried international commerce also carried the mails that guided and directed such commerce. During this period, communications, as such, had no separate or special influence on international trade and political relations. These relations developed largely through transportation, and the corresponding communications followed step by step, but always in a subordinate position. However, in more recent years, with

the rapid development of electrical communications by wire and radio, the communication services have ceased to be wholly subordinate factors in the development of international relations. The establishment of adequate communications between countries may take place independently of the establishment of direct transportation facilities; and a rapid and efficient communication service may be an active factor in the subsequent development of trade and transportation and, perhaps even more importantly, in the development of those friendly and wholesome understandings between nations which it is the aim of sound politics to bring about.

COMPARISON OF COSTS

It is true, of course, that international communication services cannot be maintained on a self-sustaining basis many steps in advance of the associated development of trade and transportation facilities. However, if we consider both communications and transportation from the standpoint of trade pioneering, it is in these days a simpler and less expensive procedure to take the first pioneer steps in the communication rather than in the transportation field. A small fraction of the subsidies that would maintain a pioneer transportation line will suffice to maintain a pioneer communication service. This point is raised, not with the idea of suggesting subsidies for communications, but simply to emphasize the difference in the relative cost of the two trade agencies.

A direct comparison of the relative

costs of transportation and communications may be made by considering the normal ratio between international ocean freights and the corresponding international cable and radio receipts. Using experience in the United States, it will be found, as a rough average, that international cable and radio receipts will amount to about five to six per cent of the ocean freights to which such international communications are related. If ocean passenger receipts are added to ocean freight receipts, this ratio becomes approximately four per cent. To extend such crude comparisons a step farther, each dollar of international ocean trade, i.e., of exports and imports combined, represents from seven to eight cents in freights and about .4 to .5 cents in payments for international communication services.

These ratios, of course, vary somewhat with the nature of the trade and the distances involved. However, for all Latin America it is estimated that, on the average, from .30 to .35 cents is paid for international communications per dollar of foreign trade—almost the same figure as for the United States—and it is very probable that figures for other trade areas and routes, if available, would reveal somewhat similar ratios.

The communication services are, however, not only the agencies and the auxiliaries of international trade, but they may also become, in themselves, important elements in such trade, particularly in the field of international investments. This is especially true of the telephone service, which until very recently was primarily an agency of intra-national rather than international commerce.

From the standpoint of the investment required, the telephone service dwarfs all other services. In the United States, telephone service represents an investment of approximately

four billion dollars, and the interior wire telegraphs, an investment of approximately \$350,000,000. As compared with these services which are primarily intra-national, the international submarine cables and radio telephone and telegraph services related to the foreign trade of the United States involve an investment, specifically applicable to such trade, of perhaps \$200,000,000; and, even of this total, it may be more appropriate to think of only one half as being allocated to the United States and the balance to the distant countries with which the communications are interchanged.

UNITED STATES VERSUS ARGENTINA

Similar figures for the other extreme of the hemisphere show roughly, in Argentina, an investment of \$75,000,000 in interior telephone service, \$25,000,000 in interior telegraph service, and perhaps \$16,000,000 in international submarine and radio telephone and telegraph services. This latter figure, as in the case of the United States, should perhaps be divided by two to give the portion strictly belonging to Argentina.

On a per capita basis, the figures are roughly: Interior telephone service, United States \$33.00, Argentina \$7.00; interior telegraph service, United States \$3.00, Argentina \$2.35; international services, United States and Argentina each about \$.80.

In connection with the preceding per capita figures, it is interesting to note that the differences between Argentina and the United States are more or less typical of the relative stages of economic development of the two countries. In the mileage of railroads and interior telegraphs, which are the initial agencies of economic progress, Argentina has a development relative to its population which is slightly greater than the corresponding

development in the United States—i.e., about 22.4 miles of railroad line and 192 miles of telegraph wire per 10,000 population, as against corresponding figures of 21 and 170 for the United States.

Furthermore, as has been pointed out, the investment required by Argentina in international communication facilities is the same as for the United States, approximately \$.80 per capita. This equality is due to the fact that Argentina, in spite of a lower general rate of economic activity, is in an earlier stage of economic development than the United States, with a relatively greater dependence on foreign trade and with an industrial development that still has most of its growth to come.

As opposed to the preceding figures, the development of Argentina in improved highways, in the use of automobiles, and in telephones—all of which naturally follow the railroad, the telegraph, and the submarine cable as agencies of economic development—is distinctly inferior to that of the United States. Argentina, at the end of 1927, showed 2.27 automobiles and 2.12 telephones per hundred inhabitants, as against 19.50 automobiles and 15.61 telephones per hundred inhabitants in the United States.

Conditions in Argentina with respect to communications are reasonably similar to those in Southern Brazil, Uruguay, and Chile, and in other portions of the South American continent that have the climate, the population, and the natural resources required for an intensive economic development—and the rough figures quoted are perhaps adequate, without further elaboration, to give a general idea of the magnitude and the trend of the communication problems involved, not only in South America but in Latin America as a whole.

WORLD COMPARISONS

When we come to European and Oriental countries, lack of detailed data makes it impracticable to supply figures directly comparable with those previously given for the United States and Latin America. However, a very rough summary of transoceanic electrical communications for the world as a whole may be of interest. These figures on an annual basis are about as follows:

Total ocean borne international trade.....	\$25,000,000,000
Total ocean freights....	1,500,000,000
Total revenues from transoceanic electrical communications.....	85,000,000
Freights per dollar of trade.....	.06
Electrical communications per dollar of trade.....	.0034
Total investment in transoceanic electrical communications.....	\$430,000,000

Of the preceding total investment, the great bulk, or about \$350,000,000, represents submarine cable systems, while about \$75,000,000 is invested in radio telegraph and \$5,000,000 in radio telephone systems. These figures are, of course, very rough indeed, but will serve, nevertheless, to give an approximate idea of the magnitudes involved.

As against this rough total of \$430,000,000 for transoceanic electrical communication services, we have a grand total approaching \$10,000,000,000 for all intra-national and international services.

In connection with all these figures, there is one simple implication of the kind that is so obvious as to be overlooked in practically every discussion of communication problems. To use an

everyday comparison, freights are the gasoline of international trade and electrical communications are its spark plugs. And just as the shrewd owner of an automobile studies gasoline from the standpoint of economy—of miles per gallon—and spark plugs from the standpoint of sure fire effectiveness, so, in international trade, the primary consideration with respect to freights is cost, while with respect to communications the first demand is speed and accuracy, while variations in cost, within reasonable limits, are of minor importance.

TREND OF DEVELOPMENT

With this much said as to the present economic background of international electrical communications, it will be of interest to consider the trend of development of these services, with particular reference to the changes that are being brought about by technical discoveries.

The original background for trans-oceanic electrical communications was supplied by submarine cable systems, operating in connection with telegraph land lines. These cable systems, since the laying of the first successful Atlantic cable in 1866, have grown steadily, until today they aggregate a total of 350,000 nautical miles of cables. This mileage links into an interconnecting network practically every civilized and uncivilized continental country, and the vast majority of important outlying islands.

Supplementing this submarine telegraph service, there has developed, since 1907, a system of radio telegraph linkages substantially coextensive with the submarine cable linkages, and in many cases supplementing them through the establishment of connections with isolated islands and continental areas to which telegraphic service could not otherwise be furnished

on a commercially practicable basis. In addition, the radio occupies its own special field for communication between ships at sea and from ship to shore. A very recent addition to the radio field has been that of service to and from airships and airplanes.

This parallel development of radio telegraph and submarine telegraph facilities has been marked by successive and alternating advances in technique of such sort as sometimes to leave in doubt the natural fields that ultimately would be served by the two technical agencies.

During recent years this uncertainty has, however, largely disappeared. Radio telegraph service has steadily improved in speed and reliability, but, on the other hand, even more remarkable advances have been made in cable construction. The most modern transatlantic cable, laid in 1928, while not yet worked at full speed, is designed for a message capacity from five to ten times that of the older "unloaded" cables. With this great increase in message carrying power, it is becoming clear that, over routes where adequate volumes of traffic exist, the submarine cable can compete on practically even terms, as to cost, with the radio, besides having certain definite advantages as to continuous reliability of performance.

On the other hand, for limited volumes of traffic, or for pioneering operations into isolated areas, the radio continues to have its peculiar advantages. In addition, as illustrated by the recent great submarine earthquake in the Atlantic, it serves an invaluable purpose in case of major interruptions of cable communications.

Under joint operation of submarine cables and radio, the maximum advantage can be taken of the special qualities of each service. Pioneer linkages may be established by radio,

and, as traffic develops, may be followed in due course by the establishment of cable connections. Where the two instrumentalities are operated together, the messages demanding maximum speed and reliability will continue to be handled by cables, while the radio facilities will absorb the peak loads and overflows of less urgent traffic, as to which a few minutes' delay on account of atmospheric disturbances may be unimportant. In addition, the radio will constitute a reserve at all times against the possibility of major interruptions of submarine cable service.

The constant trend of experience indicates that the electrical communication services are naturally complementary rather than competitive; and in the long run, any maintenance of a forced and unnatural competition can result only in denying to the international public those full improvements in service and reductions in charges which might otherwise result from a unified technique and administration.

TRANSOCEANIC TELEPHONE SERVICE

What I have just said refers primarily to transoceanic telegraphic communications, but it applies equally well to the newest and most spectacular of developments in electrical communications—the transoceanic telephone service.

The first service of this type was established on a commercial basis between the United States and England on January 7, 1927 by the American Telephone and Telegraph Company, in coöperation with the British Post Office. The initial long wave radio circuit operating over this route has now been supplemented by three short wave radio circuits. In addition, supplemental connections have been established by means of submarine cables and land lines to include the greater part of Europe.

In connection with this pioneer transoceanic radio telephone link, the natural relations between radio and submarine cables are brought especially clearly into evidence, since, with the development of the traffic from an average of less than ten messages per day in 1927 to an average of nearly fifty messages a day in 1929, the commercial practicability of a submarine telephone cable has been demonstrated. Such a cable has been designed and will be laid at a relatively early date.

Since the successful inauguration of the initial service between the United States and England, rapid progress has been made in the establishment of transoceanic telephone service over other routes. Connections have been made from Europe to Buenos Aires and Rio de Janeiro by European radio companies operating in association with the Transradio Consortium in South America. In addition, the International Telephone and Telegraph Corporation has instituted two radio telephone links which are especially important by reason of the comprehensive land line connections with which they are associated.

The first of these was established in October, 1929, between Madrid and Buenos Aires. This connects at the European end with the system of telephone land lines extending from Madrid to London and at the South American end with practically all telephones in Argentina, Chile, and Uruguay.

The second of these radio telephone links, and the most important of all, from an American standpoint, is that opened for commercial service only on April third of this year by the American Telephone and Telegraph Company and the International Telephone and Telegraph Corporation between New York and Buenos Aires. This latter linkage, by reason of certain advan-

tages which exist with respect to north and south rather than east and west radio communications, and by reason also of the advantage taken of the very latest developments in the radio art, represents the last word to date in transoceanic telephony. In addition, this particular link operates with the advantage of having the radio stations and land lines at each end under unified technical control, with the result that a highly effective telephone service can now be furnished between practically all telephones in the United States, Canada, Mexico, and Cuba, and all telephones in Argentina, Uruguay, and Chile.

FUTURE INDICATIONS

Transoceanic telephone service, as has been noted, is only a little more than three years old. The pioneer work has been done by radio; but recent advances in electrical technique have made it possible to utilize not only land wires but submarine cables for simultaneous telephone and telegraph transmission, and it is highly probable that a large portion of the submarine cables that are laid in the future will be designed for such simultaneous use.

These cables, when supplemented by the flexibility of interconnection that now exists between land lines, cables, and radio, should lead within a very few years to the establishment of a world telephone network practically as complete and extensive as the older telegraphic network.

From a purely commercial standpoint, the international telegraph service, whether by submarine cable or by radio, will perhaps always continue to play the more important rôle, but it is difficult to overestimate the value of the international telephone from the standpoint of those friendly and wholesome understandings between nations which, as has been said before, it is the aim of sound politics to bring about. Foreign observers have frequently spoken of the perfection of telephone service in the United States as one of the main contributing factors to political and social unity in this country. Differences in language may introduce some difficulties in the way of the international telephone, but its potency should still be exceedingly great in brushing aside and smoothing out those differences in point of view from which international misunderstandings grow.

The Reparations Problem and the Bank for International Settlements

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NATIONS evolved from fragments of emotional political organisms, such as the people of the United States, are bound by the principles and the nature of their organic being. Subject to inherited characteristics, they respond usually to the explosive forces of their racial origins.

Knowing the United States to be a mosaic formed from each fragment of the thirty-three feudal units which broke up into mutually hating states during the religious saturnalia known as the Thirty Years' War; knowing that the most poisonous of these religious warriors fled in droves from neighbors they despised to North America during this religious hurricane, from 1618 to 1648; knowing that the fanaticism and the self-interest promoted by these emotional volcanoes would follow the migrations hither, each puny despot who sprouted from the Treaty of Westphalia kept his eye on his departing subjects with feelings akin to those of the rival Carthaginians who hoped their colonists would perish if their expeditions proved unprofitable to the oligarchy which exiled them. It was a splendid bond of mutual forbearance that thus united us to the "mother country" of our sadistic origins!

ENGLAND'S INTEREST

Yet, so self-approving grew this maternal hope for our well-being that it exploded into epic majesty when Pitt had himself carried into the House of Commons to denounce, with his last breath, the impudence of Lord North for presuming to recognize the United

Colonies as a free and independent Republic. Beaten, yet remembering the religious fervor which animated Tory loyalists amongst us—whose descendants would, in time, repatriate America—the dying statesman gave utterance to this recipe for our recapture:

Be to their faults a little blind—
Be to their virtues very kind—
But clamp your padlock on their mind,
And thus you will subdue them.

How well this worked during the world war is too well known to require extended amplification. We became volcanic. So sure of our return to the "mother country" were the statesmen of Great Britain that the Premier of England wrote Lord Redding at Washington that "Colonel House can better be spared in Washington than in London" when Britain was planning to fill up its decimated ranks with our young American soldiers in order to avoid drafting Englishmen for such defensive purposes! He depended on Colonel House, the personal adviser of our President, to help him transform this free Republic into a source of cannon fodder for "the mother country"! So perfectly repatriated did he esteem this eminent American citizen that he could not think of him otherwise than as a useful subject who could no longer be "spared" from the ranks of other Americans in London who had grown "more royal than the King" who was fighting to make the whole world "safe for democracy"!

After the United States had involved

itself in a debt of over fifty billion dollars in saving England from the fate of Carthage, and before Woodrow Wilson had recovered from the surprise element in the Treaty of Versailles, we find Lloyd-George writing to our President to cancel Great Britain's debt to the people of the United States, in which letter he threatened—if we failed to do so—that

it would not fail to estrange and eventually embitter the relations between the American and British peoples, with calamitous results to the future of the world. . . . I would like to make it plain that . . . Great Britain . . . cannot bind itself by any arrangement which would prejudice the working of any inter-allied arrangement *which may be reached in the future.*

He doubtless had in mind the naval victory Britain would gain at the Washington Disarmament Conference and the inter-allied financial victory to be achieved through the Bank for International Settlements which he would not "prejudice" in its war upon our financial resources after the debt was canceled!

To sober and enlightened minds it would seem that such a threat by any nation, or by the whole body of our European debtors, would inflame the patriotism and inspire the dignity of American bankers to resent such an abuse of our philanthropy and patience. For it is as plain as language can make it that the United States is threatened by war, in this letter, if our Government does not remit the debt due from England to the American people!

Yet, in the face of this threat, we have been engaged in a plan of reducing our navy to the helpless condition which would make it impotent to defend this Nation in the event of Great Britain ever following up its threat with a joint naval invasion of debtor nations against the American creditors of

Europe. And we discover Mr. Thomas W. Lamont rushing to our defense with an expression of resistless logic: "Let us remit the European debts! Unless we do so Europe cannot buy the surplus of our United States' farmers for the next sixty-two years!" Strangely enough, this echo of the advice given Washington by the Tory parson Gordon after Clinton had evacuated Philadelphia, the advice of Mr. Lamont is only what might be expected from one so definitely wedded to international finance.

I shall not dwell upon the effect of such advice upon such peaceful races as the Chinese, except to say that China had been at peace for ages until the interference of the "consortium" of international bankers who visited and proposed to stabilize China. Nor do I intend to refer analytically to the effect of this activity upon the British except to say that the cool heads of the Britishers were startled by the boldness of this undertaking and pursued their American creditors until they forced them to take their notes in order to avoid further complicating situations.

Remembering the Royalist Gordon, whose advice to Washington made the Father of his Country determined to exterminate British influence in America, these polite British debtors were utterly dismayed on reading this Lamont threat against the harmonious coöperation among members of the British Empire. On our part we can remember the strange behavior of our own Charles Lee who, when a prisoner of Howe, gave Howe the Chesapeake plans for conquering Washington, which Clinton used to bring Cornwallis into Yorktown where Washington could capture him and secure the independence of this country. Even the people we fear and suspect do sometimes perform signal services to their countrymen.

THE BANK FOR INTERNATIONAL SETTLEMENTS

The Bank for International Settlements, known as the Young Plan for the Allies to sell German reparation bonds to Americans and get immediate cash for their claims against Germany, while allowing the Americans to wait fifty-nine years for repayment of their advances, is another thing which the international bankers favor.

The immediate result of their eulogy of this new device for adding another burden of nine billion dollars on the savings and the earnings of the American people was to cause trust officers in our financial centers to ask questions respecting the legality of the reparation bonds which this new bank may substitute for the good securities held in trust for the benefit of widows and orphans by our trust companies throughout the United States.

I have pointed out the more serious aspect of this Bank's trusteeship for the allied creditors of Germany in several addresses made recently in and out of the House of Representatives. In my analysis of the activities proposed by the Bank for International Settlements, it is evident not only that trust funds are likely to be diverted but also that the depositor's money in national banks, which finds its way into the Federal Reserve system for the benefit of our commercial institutions, is equally threatened by practices already initiated of transferring gold from the Federal Reserve to the central banks of European nations that expect to sell us German reparation bonds in cancellation of the debt they already owe for the gold confided to them in expectation of such reparation bonds being delivered by the Bank for International Settlements.

This means that if Germany should default in its payments to a private

bank in Switzerland on any of the reparation bonds it delivered to the Allies in payment of its debt to them, the people holding the bonds have recourse to no one but the Bank while the Bank itself has no recourse against Germany, since it has already discharged its debt to the Allies; and the Allies, in their turn, have discharged their debt to the United States with the cash received from the sale of the bonds to the American people by this Bank for International Settlements!

It is a three-card-monte game. The principal beneficiary of the three-cornered game will be the banking house of Morgan and Company. And, by the invention of this Young Bank for International Settlements, it does seem that Lloyd-George and Morgan and Company will have succeeded in cancelling the debt Europe owes us by substituting reparation bonds that the League of Nations Court may hold to be void *ab initio* and not a just charge against the German people who replaced the Kaiser in the armistice, on which is based the Treaty of Peace between the Allies and its former enemy, the Imperial German Government. Since there is abundant evidence to prove to the Court that the Allies had no quarrel with the "innocent German people," the international rule of law—that past considerations do not constitute legal grounds for future promises to pay the debt of a third person—will be recognized by the Court as sound when this court, by its decision, gets rid of all the debts Europe owes to the American people.

In other words, we buy the illegal reparation bonds from the bank, which is responsible to no government on earth, and we can keep them! The gold we pay the Bank, the Bank gives to the Allies and the Allies hand back to us in full payment of the billions they owe us at present! And, we still

keep the bonds by which the Bank discharges every debt that Europe owes infatuated Americans!

ATTITUDE OF OUR GOVERNMENT

The laws of war make a government responsible to its people for losses sustained by enemy depredations whether covered or uncovered in the treaty of settlement; but the United States Government, aware of the doubt respecting the legality of these reparation bonds, pretends to take no official part in bringing the bonds into existence while unofficially allowing the house of Morgan and Company to act as fiscal agent for its Federal Reserve transactions with European bankers. Aside from the close diplomatic relations with the Washington Administration, the whole conduct of the Government concerning these debt settlements can equitably be held as a fraudulent concealment of the United States Government from its own citizens who must, in consequence, look to their own Government for a redress of grievances when the Court decrees these reparation bonds illegal.

Furthermore, the very decision which clothes our Government in fraud respecting its own citizens puts our Government out of a Court of International Justice if it should attempt to get a judgment against Germany or the Allies, on the equitable principle which denies relief to a litigant which goes to Court against its co-conspirators. Such a decision, perfectly sound in morals and sanctified by universal practice, is not difficult to imagine as coming from a Court made up entirely by the nationals of debtor states who have *paid us with our own money freely handed over to them.*

Thus, all Europe, in that decision, will be arrayed against us; and the only recourse left to us is to go to war again after our military and naval

strength has been annihilated by our own Government at the behest of its enemies!

It sounds incomprehensible. But ask any country lawyer if the principles here enunciated are not universally recognized, even in domestic tribunals where the strictly legal responsibilities are less binding than the moral sanctions which sustain the relations between sovereign states in international society. Here the solemn force of national good faith enters into the controversy; and if perfidy shows its head in any court of international justice, the nation or nations which seek to take advantage of the perfidy will not only lose their cause but be denounced as outlawed from civilized society.

It is on this question of good faith that the enormities inflicted in the Treaty of Versailles have their origin; and this Bank for International Settlements, with all its bonds for German reparations, grows out of the *ultra vires* sections of that Treaty and the authority of the Secretariat of the League of Nations.

Postponing for the moment the question of an *ultra vires* excess of avarice amounting to perfidy, rather than a strategical inducement allowable in actual warfare, let us ask what will be the position of our Government in any future action it might decide to take before the League of Nations Court for the collection of the purchase price of these reparation bonds, in the event of their repudiation or cancellation?

Manifestly, our Government will have no standing at court: first, because the Administration has waived the Senate reservation giving our Government a voice in matters it "*claims to have*" an interest in and founding this right entirely on the League's limitation to "matters in which the United

States has an interest"; second, because our Government is estopped from asserting an interest in the bond cancellation or repudiation by the conduct of the Government, through the State Department, declaring that the Government has and had no *official interest* in the development of the Bank, its officers, its fiduciary relations to Germany and the Allies, or the commercialization of German reparation bonds which forms the subject of the controversy.

In neither event can the United States sit idle and see a fraud committed on its citizens without official protest and, later, ask a Court to remedy its negligence by setting aside contractual settlements in which it disclaimed an interest. *Error qui non resistitur, approbatur*—an error not resisted, is approved; nor will a litigant, alleging its own negligence, be heard—*allegans suam turpitudinem non est audiendus*. In affairs of state, a more delicate maxim applies, since it is an "unfriendly act" that may lead to war to meddle in affairs in which a state cannot even "claim an interest"—*culpa est immiscere se rei ad se non pertinenti*.

Whether the present German Government, after it has settled the claims of the Allies against the former Imperial Government, can justly ask the League of Nations Court to cancel bonds in the hands of citizens of an associated power, such as the United States, on the ground that such bonds grew out of an act of perfidy, and subsequent acts of duress, committed by that Government against the German people whom it induced to enter an armistice on definite guarantees which would have *excluded this bond issue* had these guarantees been respected, is largely a question of fact which the Court, when settling *its findings*, can render incontrovertible.

STATUS OF PROBLEM IN INTERNATIONAL LAW

To clear the ground for a clear view of the present situation, it may be asserted that, after all nations have adopted the Kellogg Pact renouncing war as an instrument of national policy, no civilized state will return to the barbarous principles practiced by the Greeks, the Hebrews, the Carthaginians, the Romans, and the Turks previous to the seventeenth century of the Christian era. Nor is it necessary to support the Kellogg doctrine by the rules first enunciated by Vitoria in 1495, outlawing *wars of conquest* on any principle whatever.

The failure of Grotius to have all his theories accepted during the religious wars which terminated in the "pious hopes" of the truce of Westphalia, in 1648, does not change the fact that good faith among warring states, from the days of Arbelo to those of Sedan, is a sovereign attribute in peace negotiations that binds all civilized powers. As observed by Grotius, "good faith must be observed in all truces." Even the firebrand, Bynkershock, concedes, "I allow any kind of *deceit*, perfidy alone excepted; because when our faith is pledged to the enemy he ceases to be an enemy."

Hence, the second rule of Vattel is universally accepted in the interpretation of *armistices* that "neither party can take advantage of a truce to execute, without peril to himself, what the continuance of hostilities might have disabled him from doing." This is cited by our own Wheaton with approval; and he agrees with all the modern European authorities that the doctrine of *uti possidetis*, which comes into being by signing an armistice, "leaves everything in the state in which it found it, unless there be some express stipulation to the contrary,"

in the final Treaty of Peace which obliterates the *causes* which lead to the war and *never deprives an enemy of his private rights or private property.*

Furthermore, under the force of the above humane doctrine accepted by all civilized nations willing to end warfare, "unless specifically excepted in the armistice, the victor is bound to restore even the ships captured by his officers in ignorance of the armistice as well as *all prizes that are made in contravention of the armistice.*"¹

The right to make either armistice or treaty is an adjunct of full sovereign power. Both armistice and treaty rest on mutual consent between the powers; and when a commander-in-chief on the field does not exceed his full powers in dictating an armistice to his enemy, his government is bound, in good faith, by that armistice to observe its limitations in the treaty of peace which is founded on the armistice. If his state fails to do so, it is guilty of bad faith which voids the whole settlement. This doctrine runs through all the authorities—Gentilis, Grotius, Puffendorf, Bynkershock, and Vattel—and is sustained by the *common practice* of all states of modern Europe.

This is so elementary that even the sophomores at Poitiers or Eton can read in F. E. Smith's *Handbook of International Law* the declaration of Lord Stowell that the *invariable practice* leading up to the definitive treaty of peace is by an armistice which *determines* its conditions, and where it is silent on other matters the doctrine of *uti possidetis* applies. Nowhere outside the Twelve Tables is the doctrine of eternal rapacity revered!

The question now arises, are the German people liable for the reparation bonds sold to American investors by the League of Nations Bank? This depends on whether Foch and Wemyss

exceeded their powers in dictating the terms of the armistice; next, whether the Germans signed it under *duress* which destroyed the essential element of mutuality in the document; finally, whether the victors did not themselves go outside the terms and the conditions of the armistice and introduce *new conditions* in the final Treaty of Peace.

That this armistice does full justice to the military genius of its authors, Foch and Wemyss, will never be denied. But the absence of the name of Pershing from that document is notice to all Americans that it exceeded the bounds of pure strategy and deceit and stood on no surer foundation than positive bad faith when the document was signed. This, in itself, makes the armistice null and void as a legal basis for the Treaty of Versailles, out of which both the bonds and the Bank for International Settlements grew.

The document itself contains convincing evidence of this bad faith. The Declaration of the German plenipotentiaries, attached to and made a part of the armistice, makes the *terms of November 9th and 10th* "an essential condition of the whole agreement." When forced to sign, these representatives of the German people declared their determination to maintain their *freedom*, whatever they might then be forced to do, ending in the prophecy "A people of 70,000,000 suffers but does not die!"

LEGAL EFFECTS OF ARMISTICE

The basis of the armistice, as stated by President Wilson on April 2, 1917, was to put an end to the Imperial German Government. "Our object now is," he said,

to vindicate the principles of peace and justice . . . against autocratic power, and to set up amongst really free and self-governed peoples of the world such a concert of

¹See Wheaton, p. 686, sec. 21.

purpose and action as will ensure the observance of these principles.

In a word, we entered the war to get rid of the Kaiser and his great general staff of militarists. "We have no quarrel with the German people," he added.

We have no feeling toward them but one of sympathy and friendship. It was not upon their impulse that the Government acted in entering the war. It was not with their previous knowledge and approval. . . . It was a war determined upon . . . in the interest of dynasties and little groups of ambitious men who were accustomed to use their fellow men as pawns and tools. . . . We are glad to fight for the peace of the world and for the liberation of its peoples, the German people included. . . . We must have no selfish ends to serve. We desire no conquests, no dominion. We seek no indemnities for ourselves, no material compensation for the sacrifices we shall freely make.

On May 26, 1917, in his telegram to Russia, the President said:

We are fighting for the liberation of peoples everywhere from the aggressions of autocratic power. . . . We are fighting for the liberty, the self-government and the undictated development of all peoples, and every feature of the settlement that concludes this war must be conceived and executed for that purpose.

He then added, "No people must be forced under sovereignty under which it does not wish to live. No territory must change hands except for the purpose of securing to the people who inhabit it, a fair chance of life and liberty." In his Flag Day address, he included the German people themselves in this sweeping benefaction. In his reply to the Pope, he asserted that

peace must rest on the rights of the people, not the *rights of Governments* . . . and to a fair participation in the economic opportunities of the world, the German people, of course, included if they will accept equality and not seek domination.

The German people were listening in on these "peace feelers." Finally, they bit. In January, 1918 their Government asked Wilson what terms he would agree upon; and the celebrated fourteen points fluttered before our Congress, with the full knowledge and consent of the Allies, on January 8, 1918. This, of course, stipulated the territorial integrity of all states, the equality of economic opportunities among all parties to the peace pact, the right of the people in all colonies to choose their own government and be free from dictated control.

Nothing was said to imply that what President Wilson had said to the Pope had been withdrawn. Indeed he went farther in his next "feeler" in the Liberty Loan speech of September 27th. Here he indicated that the Kaiser would have to get out so as to allow the German people the impartial terms due to victor and to vanquished alike. There would be "no discrimination" between friend and foe. The peace that came must be just with a "justice that plays no favorites." And all this would come, as indicated in his final reply to the German people, whenever the Imperial Government was succeeded by a government by the German people themselves.

If this was intended to break the morale of the reserve power of the German armies, it was very good strategy. But that it was not so intended is clear from the President's dispatch to the German Government on October 14, 1918, and his speech to Congress announcing the terms of the armistice on November 11, 1918. The whole thing, so far as the *pourparlers* before the armistice was signed is concerned, rested entirely on justice in the *then* situation of the battlefield. So far as the United States was concerned no perfidy, no bad faith, was ever intended or displayed. Pershing knew our mo-

tives. He did not join the Allies in the armistice, because it violated a number of principles announced by President Wilson which brought it about. This was a perfidy we escaped by never ratifying the Treaty of Versailles.

But, in justice to Marshal Foch and General Wemyss, it is proper to say that the President, in his dispatch to the German Government on October 14, 1918, left the process of evacuation and the conditions of an armistice "which provided absolutely satisfactory safeguards and guarantees of the maintenance of the present military supremacy of" our armies "in the field" entirely to the "judgment" of Foch. As a condition precedent, however, the demand for the suppression of the Kaiser's Government, made in his Fourth of July address, was to be complied with "if peace is to come by the action of the German people themselves." This, he emphasized, was a fundamental condition of the truce. Furthermore, the benefits, the principles, and the policies for a general restoration of international government set out in his two other addresses—to Labor on September 1st, and on the opening of the Fourth Liberty Loan on September 27th—were to be open to the German people in the settlement authorized by the victors if the German people accepted these conditions. The German people did accept the conditions unconditionally and thus ripened the offers into a binding contract that neither Wemyss nor Foch could overthrow by any armistice conditions for security or supremacy on the field.

Inevitably, the generous conditions set out in the President's addresses, his grant of plenary discretion to Foch to secure guarantees of permanent securities in his armistice conditions, and his subsequent coupling of the Kaiser's suppression with the Fourteen

Points that specifically enumerated everything intended to be embraced in the final settlement, led directly to opposite conclusions that no definitions can reconcile. Foch took advantage of this situation to invoke Article XI of Chapter XXII of Grotius, which reads: "An absolute surrender implies that the party capitulating submits to the pleasure and *discretion* of the conqueror."

Hence, on the general principle of international law which merges antecedent proposals into the written stipulations of an armistice, or open treaty, the whole basis for a legal consideration to support the reparations bond issue now offered by the Bank for International Settlements emerges from the financial clause found in Article XIX of the Armistice. One pauses, fascinated, in reading this short, crisp, clear-cut, but super-investing statement of a soldier which condenses a whole constitution in a few energetic phrases of tragic importance!

Not to be caught by the statesmen who will later overhaul his covenant, Foch makes a "reservation" for every kind of "future concessions and claims by the Allies and the United States" as well as for "reparations for damages done" while he disbands the German forces everywhere, provides for the Saar and Ruhr occupation, indicates the Rhine bridgeheads as proper frontiers for permanent *security* and, with an eye almost omniscient subjects even "the ships and prisoners [of his enemy] to Allied care—*without reciprocity*!"

Nothing is overlooked. It is a clean-up! And as the armistice was extended from time to time under expanded conditions, the slate was clean for the diplomats who gathered in the Hall of Mirrors to write any kind of treaty that suited them. The only obstacle that stood in their way was the

highsounding declaration of President Wilson that "the Treaty of Vienna which tossed human beings from one government to another like handballs will not be imitated in this settlement."

"BAD FAITH" INVALIDATES BONDS

The legality of the reparation bonds, from the standpoint of international law, rests therefore on the question, "Was there bad faith concealed in these armistice conditions which was crystallized into coercive measures by the treaty of peace which grew out of it?" If so, it violates every principle evolved since the days of Cicero to bring warfare to a peaceful conclusion; and it lays a foundation for the renewal of a dozen wars that are legally justifiable.

The Treaty of Versailles, or the Peace Treaty, signed at 4:50 o'clock P.M., French time, January 10, 1920, was really evolved from things both inside and outside of the armistice. Every implication necessary to authorize the diplomats to make good their secret agreements to avoid Wilson's specifications eliminating land grabs, indemnities, occupations, dismemberment of nations, and penalizing penetrations, was taken advantage of to expand this Treaty into six different "Treaties of Vienna" and plant thirty-nine different sore spots at convenient distances to constitute continuous invitations for interventions by the Allies to suppress the wars they are bound to occasion.

In the very nature of the fifteen different Parts of this Treaty, four hundred and forty Articles, covering two hundred and twenty-one quarto pages of six point pica type, difficulties evolve where they are not purposely invented to make force and warfare indispensable to hold the fragmentary rearrangement of disorganized society together. Races are shifted from their bases, whole nations disemboweled, and

even small cities are carved up into fragments and divided among three or four converging nations!

From this general aspect, if we descend to particulars, we are confronted with the Covenant of the League of Nations with its well-known explosive characteristics. Then we meet the Metternichian question of boundaries, the purely Castlereagh inventions of political clauses for the balance of power that make war inevitable. Next, we are startled with the appearance of a new Nesselrode-Wellington-Sick-Man-of-Europe Part in which Lloyd-George and Clemenceau perform a surgical operation on 1,070,000 square miles of German colonies and divide territory worth twenty billion dollars between them.

Permanent occupation assumes the pen name of mandatories to save the faces of these missionaries intent on bringing civilization to German colonists "according to the stage of their development . . . and *similar circumstances*"! Then there are the military and the naval clauses, after the fashion of Buckingham coquetting with the Colignys and Condés at La Rochelle, but in this instance to induce Americans to scrap their navy and tempt Italy into maritime rivalry with France at future "conferences." The prisoners of war are next attended to—strangely forgetting the American soldiers still under the command of British officers in the forty-degree-below-zero weather at Archangel.

Then, in a rush of enthusiasm, we find bunched under increasing pressure such parts of the Treaty as relate to penalties, to reparations, and to economic stratagems coupled with the financial clauses that shoot through everything from the exploitation of mines to railroads, labor organizations, and the guarantees of Eastern and Western Europe. To make sure of

keeping the powder dry in this furnace of mutually inflaming passions, there are miscellaneous provisions regulating everything forgotten in the general grab, from the cable on the Isle of Yap to the morals of the Yappi Indians. It is a marvellous piece of diplomatic engineering.

One looks in vain for the freedom of the sea, the right of races to self-government, the suppression of indemnities, the denial of territorial expansion, or any of the fundamental sociological prerequisites announced by Wilson in his Fourteen Points or other addresses as the basis of the lasting peace to which the German people were persuaded, only to be forced at the point of the bayonet to sign a contract on which these reparation bonds are founded.

THE REPARATIONS COMMISSION

We do not need the admissions of an international banker, whether it be a Mr. Lamont, a Mr. Young, or any of the numerous myrmidons of the Bank for International Settlements, to show its circuitous peregrinations from the financial clauses of the armistice into the "penalties," the "financial clauses," and the "reparations" parts of the Treaty of Versailles, and from these on into the versatile and ubiquitous "commissions" invented in London before the Treaty itself was finally signed and brought to Paris and actually adopted before Article 240, or Annex IV, of the Treaty was shaped up. When this Article fell into the Treaty, on January 10, 1920, a "Reparations Commission" bloomed into being. And it was then provided, in Article 233 of the "Reparations" sections, that it could "handle the debt settlements and reparations *otherwise*" than specified in the Article "in such manner as the Allied and associated Governments . . . shall determine."

In the process of international reorganization, the Secretariat of the League, with an eye on all existing international bodies—official and unofficial—and noting the dismal failures of the regular "official" Reparations Commission, began, in the course of conferences with British bankers, to evolve a "Dawes Commission" to take the part of the regular "commission." As this introduced Mr. Owen D. Young into the "society" of European financiers he and his methods were carefully studied; and he was finally induced to become the "father" of the "Young Plan" known as the "Bank for International Settlements" empowered to market in America, and elsewhere if possible, the whole "reparation bonds" which Germany was forced to issue to liberate itself from the enforced bondage it was subjected to in both the armistice and the Treaty of Versailles.

DISPOSAL OF BONDS

A peculiar circumstance, which does full justice to their knowledge of international practice, is that none of the German statesmen offer these bonds directly to any investor. Nor do any of the statesmen of England, France, Italy, Belgium, or Rumania touch these Bonds. No responsible bank in any of the Allied countries offer them *directly* to any of its American customers. The Bank for International Settlements is to do this piece of shadow boxing.

Organized underspecial exemptions of the laws of Switzerland and exempted by the League Powers from responsibility to any government on earth, this "bank" is to take the German "reparation bonds," sell them to Americans, and turn over this American money to the Allies who will then discharge their claims against—whom? The Imperial German Government

which caused all the damage for which the Allies exacted these bonds. They have no claim, at law, against the German people who, some people are simple enough to believe, will pay the Kaiser's debt!

In the event of a default on the payment of these bonds, whom will the American buyer sue? The Allies? No. The Allies did not sell them. The German people? You can't make the German people, against whom we had no quarrel, responsible on a *past consideration* to pay another's debt. The Imperial German Government? Hardly. It no longer exists. The Bank for International Settlements? Where? Before the League of Nations Court? Absurd! Only a government has any standing in the Court. And governments rarely enter into diplomatic relations with a bank—or with another government, for that matter—to collect a debt due to its citizens. This has been the rule of international practice since 1848, when Lord Palmerston dodged the clamors of British speculators in foreign bonds by the announcement that intervention in such a case rested on the sound discretion of the Government.

If our Government, which insists it has had no official connection with this Bank, should perform the Homeric feat of nodding, and awaken with the resolution to protect its foolish citizens, would it be so rash as to commit an "unfriendly act" against the Government of Switzerland by jumping on a corporation under Swiss protection? And will it go to war to collect this *speculator's* debt after it has spent so much in "conferences" to make itself unfit for war, and after making war an undignified recreation in its Kellogg anaesthetic?

If ever there was an occasion for innocent investors to recall the rule, "Let the buyer beware," it is when

they are confronted with those reparation bonds. Nowhere and never has it been made more plain that this is an occasion for courts to affirm the rule of *damnum absque injuria*—each sucker is damaged without any remedy whatever!

Applying the uniform rule of international law respecting such a governmental attempt to collect the speculative debts of its citizens against foreign governments, we find it never applied for other than very strong *domestic considerations*. Even if the foreign government should *confiscate* the debts, harsh and unmannerly as this might be, still no domestic emergency would justify our Government in making such an absurd gesture. Even supposing the Government could induce the German Government to bring suit against itself, or its citizens, in its own courts—the only forum open to it—the German domestic laws, to be applied would find these debts based on either force or fraud, without consideration, and void from their beginning.

MOTIVES FOR ESTABLISHMENT OF BANK

What could be the motive for foisting such a scheme on civilized society? The promoters expect to realize eventually nine billion dollars in the enterprise. That will pay for a lot of propaganda and advertising. It will buy one third of the railroad communications of this country. It will pay for a merchant fleet of thirty million deadweight tons—or enough to dominate the foreign trade of the entire world. It is enough to enter the New York market and, with it, gain control of our coal and steel industries and, being possessed of our internal and external communications, control the future destiny of the American people!

Any military man will tell you that control of an enemy's communications

puts that enemy in your power; any commercial expert will tell you that if you can gain control of a competitor's delivery system you have him completely tied beyond recall!

It is well known that the cancellation idea had been in the mind of Europeans from that day when Lloyd-George wrote to Woodrow Wilson to have it done—from the day when the international bankers saw our farmers growing rich on the earnings of such cancellations—to the day when, *suddenly from mysterious sources*, an invasion of European financiers with no visible means of support flew into this country, like a cloud of locusts, and began writing articles for the metropolitan press in favor of cancellation—to the very day when our statesmen did remit a debt of billions which was due us for advances in money and credits from these same debtors.

It ought to be worth a banking concession, at least, to a group of philanthropists who can induce a creditor to cancel a debt of six billion dollars and pay the debtor nine billion more for "securities" that no lawyer of repute would accept as valid. Manifestly, some people will make a lot of money,

if they have not already done so. Equally manifest does it appear that others will lose their entire fortunes if they do not keep their eyes on the trust estates confiding fathers and husbands left in trust to provide *incomes* for their heirs who are too internationally minded to be trusted with the management of money.

How wide is the threat of such a bank against the accumulated wealth of the country, it is difficult to imagine. When such "experts" as those who manage some of our investment trusts are too gullible to avoid being swindled on our own markets, and by purely domestic thimble-rigging, what guarantee have our citizens that foreign investments, of doubtful legitimacy, will translate their present incomes into anything better than lovely "Mississippi Bubbles"?

The safest course for those with money to lend, is to lend it to responsible borrowers they can keep an eye on—and where they can immediately hail their debtors into court with some prospect of collecting a judgment. The German "reparation bonds" furnish no such opportunity.

Let buyers beware!

International Financial Coöperation as a Factor in World Peace

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IN a discussion about the economic factors affecting peace, I suppose a word about peace itself would be in order. I am sure that if Pontius Pilate had avoided his famous easier question and asked "What is Peace?" he would have been even less patient than he was in waiting for an answer. In fact, he would have had to wait ever since, and would be waiting for some time to come. For what was said at about the same time about crying for peace when there is none, remains true today, especially when the economic aspect of international relations is considered.

Indeed, the gaps between outright military hostilities during the past five hundred years have not been noticeable enough to brag about; and every one knows that these hostilities are only the last and active stage of a process of latent warfare that goes on continually through what we call peace time. It is in this silent process of peace hostility that the real secret of war lies, and it is in this connection that the influence of economic factors, especially of financial factors—which are dominant in economic affairs today—resides.

For this reason I must digress sufficiently to discuss some of the aspects of this process, in order to emphasize the rôle which foreign investments and investment policies play in it.

FRUSTRATIONS OF CREATIVE ENERGY

Let me, then, submit the general and apparently paradoxical statement that overt war itself is the outcome of the frustrations of peace and that what

may be called overt peace is the inevitable end to the frustrations of war. It is in war that peoples—and all peoples are merely masses of individuals—seek release for that natural and insuppressible discharge of their creative or life energies which the conditions of peace time thwart; and it is only because war today has become an even greater frustration of the creative life than peace, that peace returns periodically to the world at all.

In the language of the psychiatrist, war, with all its preliminary political and social symptoms of acute nationalism and its preliminary acts of chronic commercial hostility, is essentially a neurosis through which the nation canalizes and releases all the energies which its people have found impossible to discharge creatively in peacetime activity; just as the peace ideal—particularly as a product of power enforced from above—is the curative or substitute neurosis by which nations save themselves from the complete disintegration of creative power and organization to which modern war leads.

This may sound profound and a bit precious but the workings of the psychological mechanism of war are simple and clearly observable all the time by any one who takes the trouble to watch them. Their pertinence to this discussion consists in the fact that the greatest source of frustration of the creative energies of men today lies in the chaotic, unstable character of the economic organization by which these

men make their living. Particularly are these energies thwarted by the great disparities of the levels of life which have come to exist among the political units, partly by reason of the unequal circumstances of geographical situation and natural resources but chiefly because of the arbitrary and artificial character of political divisions and the interference with the mobility of products and labor by governmental barriers.

Important as they are in undermining peace, these frustrations of international economic contact, intercourse, and coöperation would probably not so effectively lead to external conflict if they were not superimposed, as they are, upon a vastly larger potential of unreleased energies accumulated through the internal frustrations of peace life within each nation. These frustrations grow out of our inadequate facilities for coöperation, and are not fully sublimated in the internal warfare of strikes and cutthroat competition or through the channels of vicarious combat afforded by games, the movies, and so forth.

I cannot go into the details of the mechanism by which international hostility and self-assertion are generated by domestic economic factors. Suffice it to say that there is a fundamental truth in the thesis that parity begins at home—that every war is the reflection of a domestic problem—even perhaps, in the last analysis, of the individual problems of the people. There is, I think, no greater illusion abroad today than that statesmen, politicians, and governments make war and foist it upon the masses of men.

Governments and statesmen merely play upon defeated individual energies and guide them into such channels of release as they themselves can conceive, and which serve their personal urge for power. Aside from this

guidance—which is often merely a case of being swept down the flood—their part in war-making lies chiefly in their peacetime activities in building up further obstructions of all kinds to the normal creative discharge of the energies of their people.

CAPITAL AND CREDIT

In the light of this conception of the genesis and the development of the war process, I think we can better understand the nature and the importance of the international flow of capital and credit in the problem of peace.

When we talk of foreign investment we do not mean, of course, a literal transfer of gold or of the accumulated savings of "our widows and orphans." An investment today, of almost any kind in any place, involves an extension of credit, which means granting access to a pool of current purchasing power created by those who are confident that it will be replenished in the future out of the creative powers of those to whom it is now opened. In short, every extension of credit is a creative act of faith on somebody's part. It not only implies faith, which can arise and exist only as a result of contact, intercourse, and coöperation; but at the same time it is creative in that it increases such contact and coöperation.

In essence, then, the credit power lodged by agency in our banking system is perhaps the most powerful instrument for the release of creative energies, and as such, has the potential power to offset those obstructions by which the creative discharge of the world's working energies is frustrated. Through the credit machinery of the world, capital, which is stored-up creative energy of the past, and credit, which is an advance on the creative potentialities of the future, are made available to those who need and can

use them for the release of their own creative powers. The investment funds and credit resources of the world thus normally tend to form a homogeneous pool of purchasing power to which all contribute and from which all draw. The flow of capital into or out of it is the equalizing or normalizing process in world economic life, and so far as it is unobstructed it tends to restore to health and to maintain the balance of creative economic development of the entire world.

Now, of course, it will instantly be realized that this powerful tool of creative release is a double-edged sword. It can enslave as well as free men's energies. But I think the testimony of historical experience is that the one edge dulls more quickly and that the ultimate effect of credit is the liberating one. The frustrating power of credit is seen only where it is used or controlled for ulterior purposes, by governments or groups or political interests standing outside the business system, whose chief concern is the maintenance of an uncreative *status quo*, a vested interest of personal or party authority and domination.

Though the credit power seems to be vested in specific agencies, embodied in concrete instruments, and based upon a concrete substance like gold, this is one of those facts that disguise the truth. Every one with any insight knows that the credit power is in its essential nature so intangible and elusive—as faith itself is—that it can never be long subjected to the purposes of an uncreative ulterior interest. Whenever it is, it collapses, like the creative strength and spirit of man himself under slavery.

FEDERAL RESERVE POLICIES PROMOTE PEACE

I regard the policies of our banking system, and especially of the Federal

Reserve Bank of New York, during these difficult years since the war, as one of the greatest contributions to peace, in the true sense of the word, that has been made by any agency, institution, or group of men. Perhaps the venerable Old Lady of Threadneedle Street, who has lived through lots of trouble, may have done as much at some crisis in the past but I doubt if her responsibility was ever so serious or her power so great and so well used. When I say the Federal Reserve Bank, I mean chiefly one man, Benjamin Strong, who, with a few others, really understood the creative function of finance in world affairs and the true nature and responsibility of the Reserve System in this function.

I need not review the history of the economic, political, and social chaos that followed the war and continued down to the adoption of the Dawes Plan in 1924, nor the part which American finance played during this period. This greatest war in all history was the result of a quarter-century's frustration of the creative development of European economic energies by a steady piling up of trade obstructions and latent commercial hostility. It ended in almost complete collapse of creative power and facilities and utter breakdown of the coöperation by which faith, and therefore credit, could be restored. Not only did credit evaporate, but the bare instruments of faith, the currencies themselves, became broken and useless through depreciation.

More important than all this, the creative frustrations of peace, which were greater than those sublimated in the war itself, were crystallized in the monumental savagery of a paralyzing structure of war debts and indemnities that has since weighed down the world.

What was this structure, in essence? One can find in these reparations bonds

none of the essential quality of credit. The inter-Ally debts were certainly no more investments, acts of creative faith, than were the shells shot into Belgian cities or the bayonets thrust into German bodies. The reparations set by the Treaty or by any of its subsequent revisions we recognize at once as mere obligations with no creative nexus of faith between the parties concerned.

So, too, this system of international obligations as a whole—all inseparably interlinked, no matter what ostrich-like officials may say—was a mere embodiment of frustration, a mere expression of alien political authority, enforced by the blind, brutal assertion of political and military force, supported by the appeal of pusillanimous politicians to the disappointment of a disillusioned public that had found no real release in the war. At its birth, not faith but its inversion, fear, was midwife and she has nursed it ever since till recently. It is no wonder then that, *contra naturum*, this incubus of debt has never grown up, multiplied, and built cities for men to live in but has instead dwindled and shrunk till it has become an evil, misshapen dwarf, an abortion that we keep out of sight and try to set to work as well as we can, or lose in the crowd on the highway of progress.

EFFORTS TO REESTABLISH COÖPERATION

From this incubus we could expect nothing but trouble and annoyance. But despite it, and despite the politicians who were preoccupied with it for years after the war, the bankers and the business men of all countries gradually found ways to repair the breaches of contact, intercourse, and coöperation, and to open the channels of creative action through those real acts of faith which are expressed in credit and investment.

Assistance of many kinds was given, but most important of all was that in the reestablishment of currencies, the stabilizing of exchanges, and the opening of our credit resources to fear-ridden Europe by appropriate banking policies of the Federal Reserve System. With this, from 1924 down to date, went the coöperation of our leading business men and bankers in setting up the International Chamber of Commerce, constructing first the Dawes Plan, then the Young Plan, and finally the Bank for International Settlements, which begins operations this month.

What does all this effort mean in the light of the world situation and the nature and the basis of peace? Of course, if you are still fighting the war, still suffering from its appalling frustrations and the chagrin which its complete failure as a creative release has left, there is no doubt about your answer. You have recently read it in the *Saturday Evening Post* and the *Congressional Record* in the clearest form. It is that all this is a subtle and far-reaching scheme by which the corrupt and envious peoples of Europe hope to wriggle out of paying their just debts to us, and hope to make us, the American investor, advance the German reparations and collect them ourselves later, if we can.

Well, perhaps all this is so; but it is surely a strange thing to find all of America's greatest and most public-spirited business men and bankers, ingenuously or deliberately, engaged in a plot against themselves. For it must not be supposed that all this labor of economic reconciliation and coöperation in which we have been sharing is pure altruism. It is in fact, a fine case of enlightened self-interest, and in that line I suppose our American business leaders have no real competitors.

The truth is, as these leaders well recognize, that all this collaboration

was not only highly desirable for the maintenance of peace and order, and not only pretty good business policy for us, but even supremely necessary for our safety. Some qualifications may be made as to the degree and the adroitness of the Federal Reserve action in 1927 and thereafter; but as to what we did in the preceding years after the war, I think there can be no question that we had to do it to save ourselves from the serious economic difficulties certain to follow from intensified foreign economic and political disorder, declining foreign trade, war-inflated industrial capacity, and accumulated inventories of commodities. The Dawes Plan was the capstone of this early period of reconstructive effort. It gave the reparations problem a provisionally established status under which—if the creditors continued to think it desirable to collect—Germany's capacity to pay might be built up by opening the world's credit reservoirs to her industries for use in reconstruction. It was still immersed to a degree in the atmosphere of fear; still a child of the political power complex, born at the cannon mouth and disciplined by the bayonet point; but for the first time, the midwife of economic wisdom was at least present at the nativity.

THE YOUNG PLAN

The Young Plan belongs to a new and different stage of reconstruction. Grandfather Mars and Grandmother Political Ambition have been kept in the background and the bayonet has been banished from sight altogether. Its god-parents are the working minds and the creative energies of the world and it was business that cut the umbilical cord and finally separated it from its weary and aged ancestry of war and politics after a painful and prolonged parturition.

In the Young Plan, for the first time, fear has been in a measure inverted into faith and the mere pressure of alien power converted into creative coöperation. The bonds of obligation are immersed in the currents of the world's work and exposed to the vitalizing energy of expanding world trade, in the hope that therein they may ultimately be dissolved and washed out.

The Young Plan is essentially a device by which it is hoped to distribute the war burdens over the creative powers of the world and even to convert these bonds of debt and doubt into a network of creative credit and faith through which the world may be more closely held together for a common constructive work, as it was once drawn together for a common destructive game.

This may seem a too poetical way of describing a sinister plot to loot the Federal Reserve Bank, and it may be too hopeful a view of the fundamental debt situation which still remains and still bears upon a single people; but if you will look closely at the provisions of the plan for mobilizing the German payments through widely distributed bond issues and for utilizing the payments as the basis for credit which may be employed almost everywhere that it may be needed, even in Germany, you will understand that in this plan an essentially different idea and a far more creative spirit dominate than in any that preceded it. If you do not like this description of the plan, the more sober, prosaic statement of the matter-of-fact English mind of Mr. Graham, head of the British Board of Trade, may be more satisfactory. He says:

In substance, the reparations settlement fixes the annual liability of Germany for a term of years; reduces the reparations; provides for a diminishing scale of deliveries in kind; sets up a Bank for International

Settlements, whose operation may in due course extend far beyond the mere control of the annual payments; and generally paves the way for postwar settlement in Europe.

DIFFICULTIES STILL REMAIN

Of course, no one really supposes that this is the end of the matter. As I have said, no matter how the fundamental situation has been disguised by force of a creative purpose in this plan, there still remains in it an element of the abnormal, the ulterior, and the alien. Though we carefully refrain from calling these bonds reparations bonds, that will never make them altogether a free, unqualified investment and act of faith on the part of those who buy them. Until we make effectual those provisions of the plan which call for giving Germany the benefit of a large part of whatever reduction we may make in the Allied debts to the United States, the grim shadow of Mars will hang over the entire transaction.

Moreover, economically these payments lead to great difficulty and to certain forms of commercial dislocation. The transfer problem, which is elaborately disguised and diluted in the Young Plan, nevertheless remains. But, as Mr. Hartley Withers, discussing his doubts as to the finality of the reparations settlement under the Young Plan, says:

If world trade expands as it might if it were given a chance by central banks and politicians, if a recovery in world prices of primary products increases the buying power of the agricultural countries, and if the free flow of capital, instead of being frozen hard because an ample stock of gold is reduced by gold-scrambling tactics, is allowed to stimulate development, the surplus of exports that Germany has to find to meet reparations should easily find a market. But if governments continue to raise tariff barriers and central banks resume the gold-hoarding habit, the Young Plan will soon come up for revision.

All that can be said with surety at this time, I think, is that these doubts will be resolved and these difficulties will disappear if, and only if, the final and vital feature of the Young Plan realizes the hopes of its creators. That feature is the Bank for International Settlements. Here, indeed, is the capstone of the whole structure of reconstruction, under which, if at all, the bloody bones of the war will be finally buried and from which they will not soon rise again to disturb us if it is firmly held down against the zeal of prowling politicians who are already trying to pry it loose.

What the Bank for International Settlements is, what it is intended to do, and what it is barred from doing have been so fully and specifically described by those who established it that no one who takes the trouble to read the letter of its laws with any good will can misunderstand or misconstrue. These laws are clear and specific in their permissions and their prohibitions; but the Bank's critics think it a waste of time to quibble about these and I think likewise. I agree with them that the spirit and the potentialities of this new Bank are the important thing; but I emphatically disagree with them when I say that this spirit and these potentialities are essentially the most powerful instrument ever devised to promote the release of the creative working energies of the world.

DEFICIENCIES

Flexible and efficient as is the existing credit machinery of the world in mobilizing and distributing the credit resources and offsetting the obstacles to commercial and industrial coöperation, it is still defective in certain essential respects. It is based upon an arbitrary, archaic, and increasingly troublesome standard of value; it in-

volves a cumbersome, complex, and creaky mechanism of exchange of currencies; its final control by semi-official banking institutions of different nations with varying and ill-coördinated policies in domestic and international financial matters has resulted in a blind competitive struggle for gold reserves.

All this has led since the war to wide differences in the distribution and the rate of expansion of credit, to artificial constriction of credit growth in relation to the growth of trade, to instability of price levels, and to unnecessary retardation of domestic and international trade development. Through these deficiencies, the automatic mechanism of international finance has ceased to operate in a normal fashion and has invited more and more conscious coöperative control, without the means for such control being available in any systematic institutional form.

Such coöperation as has been attempted, moreover, has been subjected to official obstruction and to the suspicion and the persecution of flag-waving politicians and newspapers, so that the mere occasional personal contact of central bank authorities for discussion of common problems has had to be conducted almost clandestinely in highways and byways to escape the pestiferous prowlers of politics and the press, as though such coöperation were something scandalous or dangerous.

Fortunately, this will no longer be necessary. Through the Bank for International Settlements, the financial authorities of the world can freely and regularly meet to deal with the problems of handling the vast international movements of capital involved in the reparations and debt payments; they will be able to facilitate the mobilization of these funds for creative purposes through investment on ordinary banking terms; they can arrange to avoid the wasteful and unnecessary

shunting of gold reserves back and forth across the seven seas and to use them more effectively as a basis for credit expansion to meet the growing trade needs of the world.

Yet, momentous and promising as is the advance in the creation of this new institution of international coöperation, you have seen with what hostility and suspicion it is regarded by politicians here and abroad. This is not without reason, from their point of view; for this advance is a distinct threat to the kind of power which sustains them and which alone they know how to exercise—the power of obstruction and frustration, the power of providing release for the thwarted life-energies of masses of men by appealing to their prejudices, superstition, and ignorance—and to their constant urge toward destruction.

WORLD ECONOMIC CONDITIONS

And what a moment is chosen in which to launch these obstructive and destructive attacks! Depression is spreading in nearly all Europe because of the drain upon her credit resources through the failure of adequate international financial coöperation to control the maelstrom of speculation that broke loose in this country last year. Germany, the weakest of all the countries, slips rapidly into more serious difficulties because of the delay in putting the Young Plan and its collateral machinery into operation. The stagnation in the international movement of goods begins to resemble that of 1922, with commodity prices still drifting downward toward prewar levels. Central banks here and abroad are forced in coöperation to lower their rates to depression levels in order to stimulate business revival through credit expansion, which must largely depend on the resources of our own banking system accumulated through

the war-time amassing of the larger part of the world's gold. Part of this reduction is doubtless to facilitate the flotation of the reparations bond issues and to stimulate the domestic and the foreign bond market, all of which is sorely needed.

It is at such a time—and this is only the half of it—that we find the Young Plan and the Bank for International Settlements, at the outset of their functioning, attacked as a menace to the United States, and American investors warned, with threats of prohibition, against buying the reparations bonds to be issued shortly by the Bank under this Plan. And why?

It is an old principle of political exegesis that the key to the foreign policies of public officials lies in their domestic political position. In view of the whole circumstances, I can see no other logical way to regard this attack than as a red herring being drawn by a desperate orthodox Republicanism across the trail of world-wide business depression, to divert the attention of voters in the coming congressional elections from the failure of political leadership at home.

We have had a serious business slump which justly or unjustly reflects on the policies of the party in power. The business community itself is not much deceived about this. Its members realize fairly well that the pressure for an artificially easy money policy in the Federal Reserve System from 1927 to the middle of 1929 came far more from Washington's desire to preserve the speculative mood and the appearance of miraculous Republican prosperity than it did from the desire to assist in the reconstruction of Europe. The intelligent, progressive business men of the United States are rapidly becoming fed up with, and seriously alarmed over, the future consequences of our ostrich-like attitude toward

foreign affairs and our Brahmanistic contemplation of our own glories. Of course, the general public, who have lost their shirts in speculation and their jobs in depression, will gladly blame the whole thing on the foreigner—the international banker and his sinister seduction of the Federal Reserve System into a card-sharpers' poker game played for our precious pile of gold reserve chips.

PRESENT OPPOSITION IS A MENACE

But no matter what is back of it, this recent outbreak of financial jingoism is the most serious menace to international peace and domestic prosperity that has appeared on the economic horizon in many years. If it is continued and given practical effect in face of the irresistible current of forces making for closer international economic coöperation, it can lead only to a complete breakdown of world industry and trade and to prolonged depression and painful readjustment in domestic business—always a fertile field in which to sow the dragon's teeth.

Since the last war, a growing and widespread intensification of nationalism in industry and trade has steadily pushed the world nearer the brink of military conflict than it has been at any time since 1914. The farsighted business and banking interests of all countries have labored incessantly in face of increasing obfuscations of their efforts on the part of demagogic politicians, through the many conferences from the Genoa Conference of 1922 to the Paris Conference of 1929, to remove some of the barbed-wire entanglements that have obstructed the road to closer international economic coöperation, to facilitate the reconstruction, and to assure the stable development of world trade and finance.

After the labors of a Sisyphus, these

men, who should one day become the legendary heroes of our time, have partly succeeded in clearing away some of the wreckage left by the war, in overcoming the most vicious effects of the structure of hate and suspicion erected by the Peace Treaty, and in opening the way through the Young Plan to the ultimate liquidation of the war debts and indemnities which have poisoned the entire economic system of the Western World for a decade.

Yet, they could not prevent the steady growth, during these years, of new obstructions to the normal international movement of goods and labor, through rising tariffs, multiplying trade restrictions and discriminations, governmental subsidies, artificial price control systems, monopolistic marketing agencies, and arbitrary immigration exclusions. The paralyzing, disturbing effect of these upon the normal and balanced development of world prosperity has heretofore been offset by one potent compensating factor, the comparatively free international movement of capital and credit. This, indeed, has been the only feature of international economic relations which has saved the world from their complete chaos and collapse and has assured some measure of recovery and development.

This saving feature has been made possible only by two things, in both of which the United States has played the leading part: first, the patient revision of the structure of international war debts and reparations so that their ultimate absorption through the growth of world industry and trade has become possible; and second, the close coöperation of our Federal Reserve System with the central banks of other countries.

This leadership and coöperation of American financial statesmanship has undoubtedly involved dangers and

sacrifices, but no sincere and competent student of the question can doubt that these are as nothing compared with the dangers and the sacrifices we should have incurred through any policy of financial isolation. Critics may carp at mistakes in detail of policy or procedure, excusable by inexperience and by the magnitude and the complexity of the problem; but only blind and irresponsible chauvinism can quarrel with the purpose and the inevitable necessity of our policy.

POLITICIANS' ADVICE UNSOUND

And now, after all this painful progress, in a time of world-wide business depression, when our sins of unrestrained commercial nationalism have overtaken us in a drastic decline of world trade, we are asked to scrap all this achievement and tie down the sole remaining economic safety valve, all for the sake of supplying desperate politicians with an issue that will appeal to the prejudices of the economic illiterates in a crisis of political bankruptcy.

Now, when our business transactions with the rest of the world have grown to the enormous total of over twenty billions annually, when our remaining credit resources have led to an expansion of our industrial capacity far in excess of our domestic market, when a fifth of our industrial workers are dependent for their own purchasing power upon the sustained purchasing power of foreign consumers, when our farmers are growing and our Farm Board accumulating, with taxpayers' funds, enormous surpluses of crops which have to be sold abroad, when we are barring foreign products from our markets by higher tariffs, when our investments, including no small proportion of the savings of "widows and orphans," have to be validated by receiving or reinvesting over a billion

dollars a year due us in interest and repayment—in such a situation we are suddenly warned to beware of the mysterious menace of “foreign entanglements” and to protect ourselves against the sinister wiles of an international bank, created and headed by an American, which is trying to steal our gold from the Federal Reserve System and rob the stockings of the aforesaid “widows and orphans” of their savings.

After having participated in every step of world political and financial reconstruction from the signing of the Peace Treaty and the establishment of the League of Nations down to the construction of the Young Plan, we are asked to develop a paranoia toward all things foreign, to put our heads under the voluminous and comforting bedclothes of the *Saturday Evening Post*, and to reject the world banker and all his works, because this international bank is the vicious offspring of the Young Plan, begotten by the Dawes Plan, which in turn is the pernicious product of an illegal Peace Treaty, which concluded a wicked war that should never have taken place at all. If we were to succumb to infantile phobias of this kind, there would appear to be only one logical line of policy for us to follow. We should immediately seek to cure our business depression by employing the jobless in building a Chinese Wall around the United States, and should set the Daughters of the American Revolution to making bandages and sewing shirts for the soldiers in the imminent next war.

BUSINESS LEADERS NOT DECEIVED

The fact is, of course, that folly of this kind has no following either in Congress or among the business community. Whatever inequalities of international prosperity may be enforced by passing political expediency

in tariff and immigration policies, the dominant and farsighted interests in American business life know full well that freedom of international capital movements and international financial coöperation will rectify or mitigate them in the course of time. They know that the only security for the existing foreign investments of the politicians' favorite “widows and orphans” lies in the continued flow of capital abroad and in the expansion of world industry and trade under the pervasive influence of these investments. They know that our investments abroad can be a potential threat to world peace and domestic prosperity only so far as selfish and shortsighted statesmen seek to interfere with them and to obstruct their normal development.

The leaders of American business thought, especially in the industries that have become most important and successful, have stood about as much as they can or will stand in the way of such political interference. The time has come when they will no longer tolerate the obstruction of the natural growth of world trade or the sound development of domestic business through attempted interference with vital credit machinery and international coöperation by politicians who appeal to the provincial prejudice and the economic ignorance of the electorate or to the purblind patriotism of leisured ladies of impeccable descent—from ancestors who knocked George III into a cocked hat for trying the same kind of meddling.

RESPONSIBILITY OF PUBLIC SERVANTS

In conclusion, let me add that my occasional references to politicians have been meant to include all public servants in positions of high authority who share and express the views mentioned. I hope and believe that

they have mistaken the public to whom they are appealing; but even if they have not—and they probably know a lot more about that than I do—it remains their responsibility, even at the risk of personal prestige and power, to persuade that public to ways of thinking conducive to their long-run

welfare. Every incitement to fear or suspicion, every disruption of faith closes channels of contact, intercourse, and coöperation among men, channels through which the energies of man might be creatively discharged, and builds up those frustrations whose easiest release today is in war.

Benefits and Dangers of Foreign Investments

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AT the time when Walter Bagehot wrote his *Lombard Street*, he pointed out that "if you say anything about the Act of 1844, it is little matter what else you say, for few will attend to it. Most critics will seize upon the passage as to the Act, either to attack it or defend it, as if it were the main point." With almost equal truth it might be said today that if any discussion of foreign investments includes the least reference to the Young Plan or the Bank for International Settlements, that reference will attract by far the greater part of the reader's attention.

For that reason alone it would be well to omit these matters for the time being, and the omission appears even more desirable in view of the fact that the maximum amount of the issue of reparation bonds cannot exceed some three milliards¹ of dollars, and will not in the immediate future amount to more than a small fraction of that sum. These figures appear small when compared to the aggregate holdings of foreign securities in such countries as England or the United States, and in so far as the reparation bonds do not differ materially from any other governmental issues of securities it will be more profitable to confine ourselves to the wider problems arising from any international movement of capital. If the problems which we discuss are peculiar to the financial liquidation of the war, that fact will be immediately apparent; but in most cases the problems are wider in nature and more

permanent in their effects for good or evil.

THE REASONS FOR FOREIGN INVESTMENTS

All foreign investments are the result of the flow of capital from areas where it is comparatively plentiful to those where it is relatively scarce. At all times during the last century and a half, it has been possible to divide the nations of the world into debtors and creditors. The countries included in each class have changed from decade to decade, but at all times there has been a tendency for the newer countries, which were engaged in developing their own resources, to draw upon their wealthier neighbors for the capital which they needed.

Although the subject has been discussed over and over again, it may be worth while to point out briefly the reasons why these wealthier countries are willing to export capital. Many recent discussions of the subject seem to regard the purchase of foreign securities as a matter of charity—a philanthropic assistance generously rendered by the richer nation to its distressed and impoverished sister. Such an opinion is very far from the truth, for in all cases the movement of capital is primarily an economic phenomenon. Even in those rare cases in which political pressure has sought to direct the flow of funds, the reasons which have impelled the domestic capitalist to purchase foreign securities have been economic in their nature.

In the first place, rates of interest are

¹ "Milliard" equals one thousand million.

frequently higher in new countries, which are inadequately supplied with capital, than they are in the older and wealthier countries. Even if we devote our attention to the "widows and orphans," over whom so many crocodile tears have recently been shed, six per cent is probably more satisfactory than five per cent, provided that there is equal security in both cases. This difference in interest rates has, therefore, been one of the primary reasons for international movements of capital, but it has not been the only one.

With the progressive industrialization of Western Europe and the United States, those areas have come to depend to an increasing extent upon the rest of the world for the supplies of raw material required by their industries and for the foodstuffs necessary to feed their growing populations. To obtain those raw materials and foodstuffs, it has been necessary to accelerate the development of other parts of the world. Railways have been necessary to open up the wheat fields of Canada; mines have had to be constructed to produce the tin of the Malay peninsula; and the capital required for these developments has been readily supplied by those countries which depended in no small degree upon the increased output of the commodities in question.

Recently a third reason, perhaps more important than either of the other two, has come into prominence. The industrialization of some of the Western European countries and of the United States has proceeded so rapidly that their annual output of goods is greatly in excess of the capacity of the domestic market to absorb them at existing wage levels and price levels. If the economic system is to be kept running at a point approaching its maximum activity, foreign markets must be found for the surplus goods produced. But it has become clear

that, in many cases, the foreign nations cannot afford to buy those goods unless they are able to borrow the funds with which to do so. Capital has therefore been exported in large amounts to develop foreign markets, and it is probable that this reason will become of greater and greater importance as the years pass.

Insistence upon these economic reasons for the movement of capital need not blind us to the fact that politics has not always been dormant. To cite only one example, the political policy of France tended to facilitate the sale of Russian bonds to French investors during the years immediately prior to the war. Nor, when we insist upon the economic advantages of foreign investments, need we close our eyes to the fact that in some cases a conflict may arise between the pecuniary interests of private individuals and the social policy of the government in regard to the community as a whole. It is possible that a country might be better off, from the social standpoint, if exported capital had been employed in enterprises designed to ameliorate the condition of large groups of the domestic population; but this question is concerned with governmental policy and cannot be adequately discussed at this point.

THE POSTWAR SITUATION

Clearly, the international movement of capital is an ancient practice, based upon sound economic reasoning. As debtor or creditor, almost every important country in the world is vitally interested in the international capital market, and as the economic interdependence of the various parts of the world increases, that market becomes of ever greater importance. Naturally, the position of a given nation may change over a period of time. During the half century preceding the World

War, the United States had borrowed heavily and in 1914 she owed some five milliards of dollars to the holders of American securities in Western European countries. On the other hand, Germany was, before the war, a creditor nation but has become a heavy debtor during the last ten years.

current year, and they must be regarded as comparable approximations rather than as statements of absolute accuracy.

THE DANGERS OF FOREIGN INVESTMENT

The advantages of the export of capital are apparent from the preceding

POSTWAR CREDITOR NATIONS

Country	Total Wealth	Net Balance of Foreign Investments	Foreign Investments as Percentage of Total Wealth
United Kingdom.....	113	20.5	18%
United States.....	440	16.0	4%
France.....	75	11.5	15%
Holland.....	19	3.75	20%
Switzerland.....	13	1.6	12%
Belgium.....	12	1.4	12%

(in milliards of dollars)

POSTWAR DEBTOR NATIONS

Country	Total Wealth	Net Balance of Securities Held Abroad	Foreign Holdings as Percentage of Total Wealth
Germany.....	98	10.0*	10%
Canada.....	34	5.0	15%
Australia.....	21	3.75	18%
Argentina.....	26	3.25	12%
Brazil.....	19	2.70	14%
India.....	39	2.5	6%
South Africa.....	7.5	1.75	23%
Chile.....	6.25	1.25	20%
New Zealand.....	4.75	1.0	21%
Rumania.....	14	1.0	7%
Italy.....	26	0.75	3%

(in milliards of dollars)

* This figure includes the present value of the annuities due under the Young Plan.

The history of all these changes is not germane to our present study, but in order to convey some idea of the situation at the present time, the above tables are offered. The figures are based upon estimates made by the Dresdner Bank for a study which was published during the early part of the

summary. The creditor country gains a higher rate of return and in addition she is enabled to develop new sources of foodstuffs and raw materials and to open up new markets. The debtor country, on the other hand, is able to obtain the capital which it requires to develop its own resources and so

to increase its national wealth. Moreover, the purchase of foreign securities adds another strand to the rope which binds one country to another; the realization of economic interdependence tends to be strengthened in both the debtor and the creditor countries, and to that extent the international movement of capital is a powerful force working towards world peace.

It would, however, be foolish to ignore the fact that foreign investment may endanger the very peace which we wish to preserve, unless we are careful to understand and remove the possible causes of friction between debtor and creditor. In the first place, it must be remembered that no man loves his creditor. The stories of debtors who evade their obligations are numerous in all languages, and we must admit to ourselves that the general public has a sneaking sympathy for the man who succeeds in his attempts at evasion. There is no doubt that, during the last ten years, the emergence of the United States as a wealthy creditor country has tended to arouse a feeling of antagonism in the breasts of peoples who are less favorably situated. "Uncle Shylock" is a caricature that has come to represent the United States in the newspapers of many foreign nations—and if we should turn over the prewar files of the same journals we should find similar references to England.

Such an antagonistic psychology is not likely to cause a war. In itself, it is perfectly harmless and tends to diminish in importance with the passage of time, *provided that there are no developments of a serious kind to keep it alive*. Should the creditor nation become unpopular for other reasons, the feelings of the masses would tend to accentuate the seriousness of international friction, and for that reason we must carefully examine the possible causes of such friction.

Broadly speaking, there are two outstanding dangers in regard to the export of capital. On the one hand, there is the possibility of repudiation by the debtor; on the other, there is the possibility that the creditor may attempt to use her financial influence over the debtor for political purposes.

POSSIBILITY OF DEFAULT OR REPUDIATION

Since we are at this time primarily concerned with economic factors, let us ignore the question of deliberate repudiation of foreign debts as it has occurred in Russia, for example. But even when we ignore matters of political policy, and assume that both the debtor nation and the creditor nation desire the ultimate repayment of the loan, there are still economic problems to be faced which may cause default or repudiation if they are not satisfactorily solved.

Although it may sound platitudinous to say so, the ability of one country to make payments to a second country depends entirely upon the possibility of transferring economic wealth from the one to the other. Naturally, payment might be made in gold, so far as theory is concerned, but there is not enough gold in the world to meet all of the international payments which become due each year. In practice, therefore, international payments take the form of goods or services. If Germany has to pay one million dollars to the United States, she will, in practice, do one of two things. Either Germany will export goods to the United States (or to some country to which the United States is indebted) or she will entertain American tourists during the summer and pay her debts to the United States with the funds so received. Other minor channels of payment exist, but so far as the United States is concerned, the international

trade in commodities and the annual migrations of American tourists represent the two major channels through which payment might be received.

THE "TRANSFER PROBLEM"

This "transfer problem"—the problem regarding the adequacy of the economic machinery to bear the load which we have placed upon it—is much more serious today than it was before the war. During the latter part of the nineteenth century and the first decade of the twentieth, the creditor nations of the world were old countries which had reached a high stage of economic development. In almost all cases they were industrial nations, with a population greatly in excess of that which could be fed by the domestic production of food. They were dependent upon the rest of the world for food and raw materials, and were capable of exporting large quantities of manufactured goods. The debtor nations, on the other hand, were new countries which had not yet reached a high stage of industrial development. They needed the manufactured articles which the creditor countries could supply, and they needed them in larger quantities than they had immediate funds to purchase. Nevertheless, the debtor nations were able to produce and export large quantities of the foodstuffs and raw materials which the creditor countries needed.

The two groups of countries were therefore able to supplement one another. To take a single example, England supplied capital to Argentina in the form of railroads, public buildings, and machinery which were needed for the development of the country. At a later date, Argentina was able to pay interest on the loans and ultimately to repay the principal by exporting to England the grain and meat which the latter needed. Before the

war, the debtor countries of the world, in the majority of cases, exported more than they imported, and the export surplus consisted of those commodities which the creditor countries desired to import. Conversely, the creditor nations tended to have an import surplus, for by importing more goods than they exported, they were able to reap the fruits of the capital which they had previously exported.

It was natural that, in such a situation, the transfer problem should not appear very serious, and for that reason many people did not realize that it existed. Unfortunately, this is not the case at the present time. Several of the debtor countries are highly industrialized. Germany, the most important among them, is one of the great industrial nations of the world; the products which she exports are not supplementary to those of her creditors, they are directly competitive. Moreover, Germany and some of the other postwar debtors do *not* have an export surplus. They still import each year substantially more than they export and there are no immediate signs of any change in this condition.

In view of this situation, it has become increasingly necessary to study the "capacity to pay" of the borrowing country. Should the total debts of any nation grow to such a size that it should become impossible to repay them through the operations of international trade, a partial or total repudiation would be the inevitable consequence. But any repudiation is likely to produce international friction, and in order to avoid that possibility it is necessary to inquire, in regard to any particular foreign loan, what effect it will have upon the trade balance of both the debtor and the creditor countries.

To take a single illustration, if Germany should borrow from the United

States in order to develop hydraulic-electric generating stations, it may be that the result would tend to diminish Germany's imports of coal or to augment her exports of that commodity. In such a case, the foreign loan would automatically provide the means by which it could be repaid. There are, however, many cases in which no such results accrue from the transaction, and the total volume of loans which do not exercise a favorable influence upon the trade balance of the debtor should be carefully limited.

DANGER IN CURRENCY INFLATION

Repudiation or default may also be caused by inflation of the currency of the debtor country, produced as an indirect result of the flotation of security issues in foreign money markets. When a German enterprise or municipality floats a bond issue in New York, it may use the proceeds to make payments in the United States or to purchase goods in the American market. In a large number of cases, however, the borrower does not need American goods and has no payments to make in this country. He needs funds in Germany with which to meet his commitments in the domestic market, and in order to obtain these funds he sells to his banker drafts drawn against the proceeds of the loan in New York. This dollar exchange ultimately finds its way to the central bank, where it augments the reserve and so renders possible an increased extension of both credit and currency. That this process has actually occurred in Germany, is pointed out by Dr. Hjalmar Schacht in his excellent study of *The Stabilization of the Mark*.

A comparison of the import figures with the amount of foreign loans taken up shows that, with slight variations, the amounts of imports remained stationary while the amount of foreign loans continually in-

creased. This means that the foreign money was not devoted in its entirety to the financing of imports, but was used to a considerable extent for internal purposes and converted into German currency at the Reichsbank.

Time and again the world has had abundant evidence of the danger to the economic stability of a country which inflation produces, but with the example of the German debacle so green in our memories it is not necessary to elaborate on this theme. Clearly, the debtor nation must consider not only the transfer problem but also the possibility of inflation if it is to save itself from the unpleasantness of default or repudiation.

CREDITOR NATION MUST COÖPERATE COMMERCIALLY

It may be well to suggest at this time that the commercial policy of the creditor nation may also make it difficult for the debtor nation to meet its obligations. We have already seen that the creditor must receive payment in goods or services, or, stating the matter in another fashion, that the creditor country can only receive payment if its imports, in the broadest sense of the word, exceed its exports.

Now, this question is of particular importance in view of the present situation in the United States. Although this country is second only to England as a creditor of the world, the United States is still exporting each year several hundreds of millions of dollars' worth of goods more than it imports. Moreover, the tariff, which has received so much attention in Washington during recent months, appears to aim at decreasing the imports of this country still further, in order to maintain a mythical protection of infant industries that have already grown into lusty giants.

In view of this situation, it must be

emphatically pointed out that America cannot receive payment, either of interest or principal, upon the foreign bonds which its citizens hold, so long as it persists in its traditional policy of tariff protection. If this country wishes to receive payment, it must make it as easy as possible for the debtor nations to export their goods; for the more barriers there are to the development of international trade, the greater will be the possibility of default or repudiation on the part of the debtor nations. From this angle, reparation payments and private international loans are on exactly the same footing. Both must be considered from the economic viewpoint, since both must be met through the regular machinery of international trade.

GOVERNMENTAL POLICY REGARDING FOREIGN LOANS

The seriousness of these problems has led the national governments of both debtor and creditor countries to pay increasingly close attention to the question of foreign loans. Obviously, it is necessary to safeguard the financial interests of the country in such a way as to minimize the possibility of friction with other countries, and the national government of each country is best fitted to perform this task. Naturally, the policy adopted and the machinery by which it is carried into effect will differ considerably from one country to another, but it may be of interest to cite briefly the examples of one debtor and one creditor country.

In the case of a debtor nation, the aim of the government is naturally the maintenance of the financial solvency of the country over the destinies of which it presides. The problem is so to control the total volume of capital which is borrowed from abroad as to prevent the piling up of unnecessary

and impossible debts. To this end, the German Government under the law of March 21, 1925, established the *Beratungsstelle*, composed of representatives of the Minister of Finance, the Minister of Economics, the Reichsbank, the presidents of the Prussian State Bank and the Bavarian State Bank, and a representative of the state from which the application comes. This board has no mandatory power, but its decisions are usually accepted. It is set up for the purpose of inquiring into the desirability of floating loans in other countries, and

in its deliberations on foreign loans it always takes into consideration, among other matters, whether the terms of the loan offered by the foreign bankers are satisfactory; whether the proceeds of the loan are to be used for productive purposes; and especially, whether the total amount of foreign loans approved or the number of applications submitted has reached a figure which in the interests of the currency or of the loan terms which it is desired to obtain, should not in the meantime be exceeded.²

CREDITOR COUNTRY'S PROBLEM MORE DIFFICULT

The government of the creditor country has a more difficult task to face, partly because the problem is more complex and partly because its financial power must be used diplomatically and with the utmost discretion. In regard to the immediate aims of foreign loan control, the government of the creditor country must first of all prevent the export of capital to countries which might be compelled to default because of excessive borrowing, and secondly it must decide whether or not the capital which is to be exported could be used at home with greater ultimate benefit to the community as a whole.

² Madden and Nadler, *Foreign Securities*, p. 213.

The second of these problems has received very little attention up to the present time, and indeed the whole question of control by the creditor country has only been taken in hand spasmodically—usually in an unofficial manner. To take the case of the United States, the State Department announced in a press release of March 3, 1922, that

the flotation of foreign bond issues in the American market is assuming an increasing importance and on account of the bearing of such operations upon the proper conduct of affairs, it is hoped that American concerns that contemplate making foreign loans will inform the Department of State in due time of the essential facts and subsequent developments of importance. Responsible American bankers will be competent to determine what information they should furnish and when it should be supplied. . . . The department believes that in view of the possible national interests involved it should have an opportunity of saying to the underwriters concerned, should it appear advisable to do so, that there is or is not objection to any particular issue.

The whole arrangement is very vague and informal but there is no doubt that the State Department has passed upon all of the foreign loans that have been floated in the United States during the last few years and that, in some cases, American bankers have been deterred from handling particular issues because of their knowledge of the disfavor with which these issues were regarded by the Administration.

CONCLUSIONS

It is apparent from this brief survey that the international movement of capital is of tremendous economic benefit to the individual countries concerned, and to the world as a whole. At the same time, however, it is clear that international loans give rise to

serious problems which must be handled by the governments of the countries concerned, in the absence of any other authority with sufficient wisdom and power to deal with them. While the control of foreign loans on the part of the debtor nation is not likely to give rise to any serious international friction, the same cannot be said in the case of the creditor nations. These, on account of their financial prestige, occupy a more important place in the family of nations, and if their favors are not distributed impartially, serious discontent may arise. Moreover, the control of foreign loans by the creditor must be kept scrupulously free from questions of politics, the need of the weaker country for capital must not be used as a club, nor must the creditor attempt to use its financial power to establish a political dominion over its debtor. If political motives of this kind exist in the control of foreign loans, international friction is inevitable and may lead to very serious consequences.

Fundamentally, the recent increase in the volume of international investments is one indication of the increasing economic interdependence of the various parts of the world. This aspect of the problem is of particular importance to the United States, since it indicates the impracticability of the mythological tradition of violation which this country inherited from its first President. America is not isolated at the present time, and cannot be. The huge volume of foreign investments which she has acquired during the last decade was not purchased from any motives of charity. Foreign investment and foreign trade grow hand in hand, and both are of vital importance to the industrial organization of the country.

These facts have long been known to the business men of the country, it is

only the Government which is still hiding its head and meditating upon the prophetic ability of George Washington. What is sadly needed is a reconstruction of the entire foreign policy of the United States—a reconstruction which is soundly based upon the economic realities of the present situation. Only in that way can the benefits of foreign investments to this country be maximized and their danger to the whole world reduced to a minimum.

In conclusion, let us turn to the words of one of the most distinguished of America's business men. In his

recent address to the students of the University of California, Mr. Owen D. Young pointed out that

America is too rich to be loved. She is well enough off to be envied. The attitude of the world toward her will be largely influenced by her spirit. If it be one of selfishness in isolation, she will have failed in her great responsibilities. If it be one of boastfulness in her success, she will have misused the things which God has given her.

It is in the light of such an opinion that we must weigh the benefits and the dangers of America's foreign investments.

Competition for Raw Materials

By WILLIAM C. REDFIELD

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I AM asked to consider the subject of the supply of the most important raw materials and the demand for them. At once the question arises which materials are the most important? The vital necessities of a nation at one time are the incidentals of another day. The progress of research often creates a demand for a new material which was before unknown but soon may be essential. Again, we must think for what purpose the materials are wanted. Are quinine, camphor, or iodine more or less important than chromium, nickel, or vanadium? All these are raw materials which we do not produce but for which there is constant demand.

The discussion of our needs of raw materials is confused and no broad information concerning the whole subject is easily available. Little seems known of the actual facts, though they are of public record. Statements from serious sources are often published which are at variance with each other. Let us look at some of them.

CONTRADICTORY VIEWS

Mr. Bertrand Russell writes in his book, *The Prospects of Industrial Civilization*: "America is self-supporting in all the necessities of peace and war, both industry and agriculture can be preserved in almost complete efficiency without commerce with any other continent." This reminds me of a member of the House of Representatives who said: "What do we trade abroad for, why don't we trade here at home among ourselves?" But Mr.

Russell is not alone. In the *Landmark* for February, 1929, an editorial writer speaking of a recent visit to us of British journalists, who were guests of the Carnegie Endowment for International Peace, said: "They saw that economically America is an absolutely self-sufficing country which could exist in prosperous independence whatever cataclysm overwhelmed the rest of the earth."

On the other hand, the *Economic World* in September, 1924, said: "We have today great industries whose very life depends upon abundant supplies of raw materials which this country does not produce." Professor C. K. Leith, when writing for *Foreign Affairs* in July, 1925, said:

The public might well know more generally both for reasons of self-interest and for the sake of international accord just what materials our country has in excess, what must be secured from foreign sources, where they can be secured, what are the vital needs of other nations and what important explorations are now under way in various parts of the world. Our experience during the war demonstrated clearly that the United States was not acquainted with these facts. In this lack of perspective, the United States already is far behind many other nations whom necessity has taught to study these problems.

Our own Government issues statements which are not in accord. The Department of Commerce in November, 1925, said: "The United States is largely self-sustaining, only a small proportion of its consumption requirements being covered by imports."

Yet, in the previous year Colonel Ferguson of the Engineer Corps, addressing the General Service Schools at Fort Leavenworth mentioned

Thirty specific materials which are called strategic because they are essential to the prosecution of war and because we either do not produce them at all or can supply them only in quantities which are insufficient even for peace. These materials are: antimony, camphor, chromium, coffee, cork, graphite, hemp, hides, iodine, jute, flaxseed, manganese, manila fiber, mica, nickel, nux vomica, opium, platinum, potassium, quicksilver, quinine, rubber, shellac, silk, sodium nitrate, sugar, tin, tungsten, vanadium, and wool.

It would be well if every American citizen would carefully read this list and calmly consider the facts that lie behind it. It is not a mere estimate with a possible doubtful personal equation. It is a carefully prepared official statement based on the experience of the War Department. It deals with realities. As it takes no account of civil needs, certain commodities are omitted from it which are important to our people. Tea is not included, nor cocoa, chocolate, linen, cocoanut oil, tung oil, newsprint paper, pulpwood, or wood pulp. Nothing is said of tanning materials or bristles or the necessary materials for making hats. The list does not mention asbestos or rattan or many things requisite for telephones, electric lamps, and radio apparatus. It says nothing of castor oil, used for lubrication of airplane engines, or of tapioca, which is found on the back of every postage stamp, and it is silent on the general subject of gums.

ECONOMIC INDEPENDENCE UNTRUE

Small wonder that Secretary of War Weeks pointed out that while men insure their lives and property, they have never yet insisted that the nation shall take similar precautions, much less

have they remembered that in taking them they must look to all parts of the globe for the means of doing so. Many of the necessary materials for war come from far away—one third of them from Asia—and every continent is concerned, together with Australia, the Philippines, and the Islands of Oceania.

The subject of American economic weakness is not a popular one. It seems to be the truth that most of us prefer to live in a fools' paradise, acting more or less like the alleged ostrich with his head in the sand, and basing our national foreign policy on assumptions which lack foundations. Thus, says an authority:

The United States produces 60 per cent of the world's pig iron output, 53 per cent of copper, 43 per cent of coal, 72 per cent of petroleum, 52 per cent of cotton, 52 per cent of lumber, and we have 40 per cent of the world's developed water power. Yet our most important resources have scarcely been touched.

This sounds imposing, but it is less so when we learn that it is necessary to import, as in 1929, over 400,000 tons of manganese to make steel, over 420,000 tons of burlap for use in carpets, oil-cloth, and linoleum, as well as over 22,000 tons of newsprint paper, pulpwood and wood pulp for every working day in the year.

We are poorly supplied with fibers, having sufficient of but one, viz., cotton. Flaxseed is grown for linseed oil, not for linen, and our native supply is so short that last year we imported over 67,000 tons, an increase of more than twenty-five per cent over the average for the previous five years. There was a crisis during the war for lack of sisal or henequin fiber, and our ability to harvest our wheat was in danger through the temporary refusal of Mexican authorities to allow shipments to us. Last year we imported

over 150,000 tons for use in binding twine and similar purposes.

We look to the forests of Malaya for rattan, and are apt to forget that every cane chair seat in this country originated in or near the Malay Peninsula. Shellac is a necessity in many industries and it has not been found possible to replace it by any synthetic substances. It is used in paints and varnish in many ways, in leather dressing, and waterproofing; it is found in oilcloth, linoleum, trunks, picture frames, and as an ingredient in paints for the hulls of steel vessels. It would be interesting for any man to see if he can pass a day without employing shellac in some one of the countless forms in which it finds use. It all comes from a small, orange-red insect, a native of India. Last year, we required over fifty thousand tons of this and other varnish gums.

THE LEATHER INDUSTRY

Hides are a by-product of the packing industry. We are, to be sure, the largest leather-making and leather-using nation in the world, and we export much leather. We still are an important source of hides and of some skins, though this must be said with marked qualifications and with the fact in mind that our production of the raw materials falls far short of domestic manufacturing requirements and would be hopelessly inadequate in time of war. In 1929 we were obliged to import over 515,000,000 pounds of raw hides and skins—an increase over the average for the prior year of twenty-six per cent.

The literature of the Tanners' Council speaks vividly on the subject. The president of the National Association of Importers of Hides and Skins, in writing on the source of supplies, tells his audience that he will take them on a tourist party around the world to get a bird's-eye view of the primary markets.

He does not exaggerate; we drew these materials in February of 1930 from more than sixty different countries. The Department of Commerce makes the statement:

The United States, which tans at least fifty per cent of the world's leather output, is dependent upon foreign countries for the larger part of its raw material. Nearly half of the cattle hides and calfskins are imported and almost all the sheep, lamb, goat, and kid skins. Cattle hides come chiefly from South America, the bulk of the calfskins from European countries, goat and kid chiefly from British India and China, and sheep and lamb from New Zealand and South America.

When we receive this mass of materials amounting to over 250,000 tons, what should we do with it without an adequate supply of tanning materials? No one knows better than our tanners what was the tragic meaning of the chestnut blight, or understands more clearly that the reproduction of hemlock and oak has failed to keep pace with the growing needs of our tanneries. Nor does Washington hold illusions on a subject so vital to American life and industry. So we reach out all over the world for the tanning supplies we need but cannot ourselves provide.

Having searched the earth for the basis of leather, we must make a similar journey for the means of tanning it. In this latter effort we shall visit India for myrobalans, Italy for sumac, and Argentina for quebracho (over ninety-six million pounds of this last year). Turkey, Greece, and Italy will also supply us with valonia, and the Malay Peninsula will provide us with gambier. We have by no means exhausted our list, especially when we recall chromium from Rhodesia, British India, Cuba, Greece, French Oceania, and the Union of South Africa. A pair of shoes or a lady's handbag may thus represent a large part of the world.

MILES OF SAUSAGE CASINGS

There are humors in the import of supplies. The common sausage is one of the most international articles in the world. Truly, the American hog in this matter goes to great lengths. Ladies are accustomed to buy sausages by the pound but they would touch actualities more closely if they were purchased by the mile. No city has so many streets that their aggregate length would exceed that of our yearly sausage product. The boundaries of no nation are so extensive that annually our connected sausages would not surround them. Indeed, their extended length would encompass the globe many hundred times and would suffice to connect us with the moon. It can be the boast of the American sausage that only astronomical distances are comparable to its outreach.

Say you this is nonsense? It is not; it is reality. The head of a great packing house says that there are not sufficient quantities of sausage casings produced in this country to supply the demand, so we hunt for them all the world over. We drew them in 1928 from forty-three countries, a total extent of over seventeen million pounds. That may not seem so large, only a matter of 8500 tons. But come back to our packing friend; he tells us the casings are handled a hundred yards to the bundle, each bundle weighing about one pound. Therefore, seventeen million pounds are in reality 1,700,000,000 yards, which is 5,100,000,000 feet; or, in more convenient phrase, approximately one million miles of sausage casings; some years it has exceeded that.

On the other hand we export these casings in even larger quantities than we receive them. We are, therefore, the sausage mongers of the world. The

reason for the paradox of exporting and importing sausage casings by the hundred thousand miles in both directions lies in the fact that while we have not enough of some kinds, we have too much of others.

STRONG REASON FOR PEACE

It would be easy to prolong this sketch, to speak of the interminable length of straw hat braids, which we bring from China, Japan, and Switzerland by the many thousands of miles. Enough has been said, however, to give an insight into a phase of our international relations which is all too little known. As the demand grows, our dependence on the world increases. It rises from and is a corollary of the high standards of living of which we are so justly proud. At times the call diminishes for one supply but it increases for another, or a new demand arises.

The teaching from the facts is that we are knit to all of the world by ties which must not be broken unless we are prepared to pay the price of sacrifices in every home. Of course, it is well to develop our own resources and so to become economically free as we are politically, but this economic freedom can only be achieved at a cost which no one would venture to propose our paying.

No one can contemplate the facts laid before you or the much greater portion of facts which has been omitted without becoming a strong devotee of peace. A little glimpse of what might occur were the seas closed to the transportation of our needed supplies came to those who were in intimate contact with affairs during the world war. The conditions have become more intimate since that time and are now such that if our necessary supplies were cut off, we as a nation should soon suffer sadly, even were not a shot fired.

Control of Exports of Raw Materials: an International Problem

By LYNN RAMSAY EDMISTER

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AMONG the economic issues entering into post-war international discussion, few have been more prominent than those relating to the distribution of raw materials. These issues have assumed varied forms, but they all rest on one basic fact. The supply of essential raw materials is likely to be geographically separated from the places of chief demand. Hence, those nations which are dependent upon others for their requirements are in a position where their prosperity, and sometimes even their safety, may hinge upon reasonably easy access to such supplies.

This dependence upon foreign supplies is, of course, as old as international trade. But in recent years its results have been intensified by two tendencies: one, the rapid growth of this economic interdependence, as a phase of modern industrial development; the other, the increased obstacles placed in the way of satisfying the requirements of the importing countries. The clash of these two opposing tendencies has given the whole problem of raw materials a new and an ominous political significance in international relations. To this result the world war, of course, contributed. In the exaggerated economic nationalism of the post-war period, restrictions and the fear of further restrictions upon access to raw materials have been a source of constant anxiety and hence a threat to the maintenance of peaceful commercial and political relations.

Among such restraints none have been more provocative of friction than

those maintained or fostered by governments themselves. Governments have increasingly resorted to practices tending to limit exports by making more stringent the terms on which they can be procured. Especially has there been a tendency to do so in respect to raw materials of which one country possesses a partial or complete monopoly.

There has been a marked development of such controls since the turn of the century. This, however, cannot be wholly indicated by a mere counting of numbers. For while the number has indeed increased, there has also been a development in technique and in scope of control that cannot be thus measured. Out of a list of some eighteen or twenty controls that are now in effect, or have very recently been in effect, only five had taken definite form before the turn of the century.¹ But this does not take into

¹ The list includes natural camphor, cinchona bark, citrate of lime, coffee, long staple cotton, Greek currants, Kauri gum, mercury, nitrate, pearlshell, potash, pulpwood, quebracho, rubber, sandalwood, silk, sisal, sugar, sulphur, and tin. As regards rubber, restriction was abandoned in 1928, but a private agreement between British and Dutch growers has just been announced. Cuban sugar was controlled only from 1926 to 1928. Cinchona bark and quebracho have been subjected to private rather than government control. Various other commodities such as manila hemp, hides and skins, and palm kernels, constitute instances in which control in the form of colonial discriminatory export duties prevailed for a time but was eventually abandoned. Of the first group of commodities here listed, there were five over which control had taken definite form before the turn of the century; namely, nitrate, potash, camphor, currants and mercury.

account increasing participation by governments, improving technique, or extension of scope of control activities beyond national boundaries as competition from external sources has developed.

TYPES OF CONTROL

In regard to purpose, there are three main types of control: (1) those of which the chief object is to obtain public revenue; (2) those of which the primary purpose is to maintain or increase the profits of the producers of the raw material; and (3) those designed to foster and extend domestic manufacturing industry.

Perhaps the best illustration of the first type—that is, where the chief object is to raise revenue—is the control exercised by the Chilean Government over the Chilean nitrate industry. The Government has for years levied an export duty which, when Chilean money is at par, amounts to \$12.34 a long ton. For a long time this supplied about half the Chilean revenue, and it still furnishes about a fourth. At the same time, the Government has approved, encouraged, and participated in the monopolistic organization and operation of the industry. The Government is officially represented on the Board of Directors of the Chilean Nitrate Producers' Association and wields a decisive influence in determining the policies of the Association, including the fixing of prices. In many other ways, also, its paternalistic attitude has been manifested. Another illustration of this same type of control is the Japanese camphor monopoly, the profits of which are a direct source of government revenue.

The second type of control—that is, where the main purpose is to maintain or increase the profits of the producers—appears in many variations. But its central characteristic is government

support of measures designed to enable the producers to obtain higher prices than they would otherwise receive for their product. There is a wide range of activities that are designed in greater or less degree to achieve this purpose. At one extreme is the comparatively innocuous and generally accepted practice of merely publishing and disseminating statistics bearing on supply and demand conditions and perhaps giving some interpretation of them. At the other extreme is the adoption of official measures restricting output and exports in such a way as to yield the greatest profit to the producers. Examples of the latter are the Franco-German potash combine and the recent British restrictions on rubber.

Between the foregoing limits there is an ascending scale of activities. These activities include legislation designed to facilitate coöperative action by producers in producing and marketing their crop. They include special credit facilities designed to enable producers to withhold supplies from the market. And they include the actual purchase and withholding of supplies by the government itself in an effort to bolster prices, of which perhaps the most familiar illustration is the valorization of coffee by Brazil. Other illustrations are the purchase of cotton by the Egyptian Government and of cocoa by Ecuador.

The third type of control is that where the object is to promote domestic manufacturing. Through export duties or other export restrictions on raw materials, governments seek to favor domestic industries using a particular raw material by enabling them to get it at a lower price than foreign manufacturers have to pay. Such restrictions are more likely to prevail in the newer countries, whose local industries may thus be built up on monopoly of the manufacture of a highly localized

raw material. Sometimes the restrictions are designed to promote manufactures wholly within the political area where the raw material is produced, as for example the Canadian restrictions on exports of pulpwood. Sometimes they are employed also to favor the manufacturing industry of the mother country, as in the case of the British preferential export duties on tin ore in the Straits Settlements and in Nigeria. Other illustrations in this class are the Spanish and the Portuguese export duties on cork; the preferential export duties which for a time were levied by Great Britain on Indian hides and skins and on West African palm kernels; and the remission, on shipments to the United States, of the Philippine export duty on manila hemp from 1902 to 1913.

RESULTS OF CONTROL

So much as regards types. Now as to results. What evidence is there that consuming countries have been unduly exploited by such controls? How successful have they been from the standpoint of the producing countries, and how burdensome to consumers?

There has been a vast amount of bias in past discussion of the effects of control. In some countries there has been a popular disposition, frequently encouraged by the government itself, to condemn control as wholly predatory in purpose and method and to exaggerate the burden that results from it. Even economists have sometimes had difficulty in maintaining an objective attitude. Some have been obviously influenced by the righteous indignation which they have felt concerning such restrictions. Others have distinctly minimized the burden in an effort to show that it has been exaggerated—that the evil, if it be one, is largely self-corrective. One need not be able to measure the burden with precision in order to note these evidences

of bias. On one point, however, there is evidently agreement. No one appears to have denied the sinister significance, from the standpoint of world peace, of the misunderstanding and the hostility which the restrictions have created.

ECONOMIC EFFECTS OF CONTROL

Examination of a series of important and presumably typical cases discloses that although the success of control has varied in individual instances and at different times, nearly every case of control has had some measure of success and some have been highly successful. It is possible here, however, to present only a few illustrations selected from the main body of evidence. A more complete account is soon to appear in book form as a publication of the Brookings Institution, under the coauthorship of Dr. Benjamin B. Wallace and myself.

Take, for example, Chilean nitrate. The Nitrate Association has always fixed the price at the highest point which in its judgment the traffic would bear, and the state has long collected a very high export duty. Contrary to a widely held impression, the foreign consumer has not borne all the burden of the export duty. Nevertheless, the evidence reveals that monopoly profit and state revenue have together been a large element in the prices charged in the past. An investigation by the Chilean Government revealed that from 1920 to 1927, profits averaged for one important group over fifty per cent, for another from twenty-five to fifty per cent, and for most of the remainder from ten to twenty-five per cent.

Other instances may be cited. In the case of the Japanese camphor monopoly, the data on prices and profits indicate that for many years the Japanese Government made large monopoly profits from its control of this

industry; though recently its power has been curbed by competition from a new source. In the case of potash there has been no such check. For a time after the war, competition threatened from the newly acquired French mines in Alsace, but this prospect was soon halted by the formation of the Franco-German potash combine. At the same time a thorough reorganization of the German industry, involving the shutting down of a vast number of inefficient mines, has resulted in greatly reduced costs. However, the reduction has not been reflected in any decrease of prices, hence profits have been high. In 1928, the rate of earning appears to have averaged somewhere between twelve and twenty-two per cent on total investment—a much higher rate than the average for German corporations.

Another example is coffee. Every one of the three valorizations of coffee by Brazil between 1905 and 1923 appears to have secured for the Brazilians higher, and also more stable, prices than would have presumably prevailed in the absence of government intervention. The same thing is true of the somewhat different type of restrictions in force in Brazil since 1924, known as permanent defense. By limiting shipments from plantation to port and by close supervision over stocks and sales, the Brazilian Government was for several years successful in maintaining prices on a high level despite large fluctuations in the crop. Ultimately the stocks in the interior became too formidable and available credit too scarce to maintain prices. In the fall of 1929 prices fell, and they have remained low since that time. What will be the outcome of present efforts to restore the situation remains to be seen; but for five years the restrictions under the so-called defense scheme undoubtedly served to bolster prices.

Then there is the notorious case of rubber. Because the Stevenson Plan was ultimately abandoned, many have jumped to the conclusion that it failed. Evidence reveals that the restriction resulted in large profits to the planters while the plan was in operation. It is true that prices would presumably have recovered in considerable degree in 1922–1925 even had there been no restriction, since there was a large increase in the demand for rubber. Yet there is no reason whatever to suppose that they would have risen to such exorbitant levels as were actually attained in 1925–1926 had it not been for the limitation of output and the speculation to which the Act led. Though it had been claimed when the Act went into effect that the industry was on the verge of ruin, the available data on costs and earnings do not sustain the claim. Even the low prices of 1921 and 1922 were not below the costs of most of the rubber companies, and there had been no failures in Malaya. In the fourteen-year period ending in 1922, fifty-two representative companies had made an average return of twenty-five per cent on their issued capital and had paid average dividends of twenty-two per cent.

Far from stabilizing conditions in the industry, the rubber restriction may be said to have unstabilized them. The users of rubber, particularly in the United States, carried a heavy burden. It is possible that consumers are now being compensated in some measure by low prices that may be attributed in part to the stimulus to world productive capacity imparted by the Restriction Act. But it is certain that in its immediate effects, the Act was highly burdensome.

POLICY OF CONTROL SUCCESSFUL

It is true that competition from external sources and from substitutes has

in many instances considerably mitigated the effects of control, and this has given rise to a widespread impression that the policy has generally been a failure. For example, the rapid increase in the production of synthetic and by-product nitrogen in recent years, to the point where such nitrogen furnishes about three fourths of the world's total, has definitely weakened the position of the Chilean industry. The same is true of camphor: the synthetic product, made chiefly in Germany, has become a formidable competitor with the natural variety. In the case of coffee, the Brazilian industry has not kept pace with the growth of the industry in outside areas, particularly in Colombia and Central America. This growing competition, together with the recent collapse of prices, naturally raises a doubt as to the ultimate efficacy of the Brazilian restrictions. And in regard to rubber, it is history that the Stevenson Act was ultimately abandoned, owing in large measure to the growth of competition in the Dutch possessions.

It is a mistake, however, to assume from such evidence that the policy of control has been a failure and is now passing into the discard. Competition has mitigated but has not eliminated its effects. Far from abandoning control of the Chilean industry, the Chilean Government has exercised a tighter grip than ever. It has taken the lead in readapting marketing machinery to new conditions; and it has recently succeeded in negotiating a tripartite agreement between Chilean producers and German and British producers of manufactured nitrogen which should definitely check the severity of the competition that had been developing between these groups.

In potash, an international combination of the German and French interests halted competition almost from its

inception. In coffee, the Brazilian Government has been increasingly active in behalf of producers; and in spite of the recent collapse of prices, the history of control indicates on the whole a very considerable success of its efforts to maintain them. It is true that a recent announcement forecasts the abandonment of control. A pending loan of \$100,000,000 to São Paulo by foreign bankers is said to be conditioned partly upon abandonment by the Government of further valorization operations during the ten-year period while the old stocks are being disposed of. But the bankers may authorize holding back current supplies in order to protect the loan; and if the history of a previous intervention by the bankers repeats itself, they will become increasingly involved in the regulation of the industry during the next few years. In that case control will not have ceased, but will merely have been shifted to the bankers.

Again, in rubber, the temporary success of restriction has remained as a reminder of what can be done; and after long negotiation a private agreement has very recently been reached between British and Dutch growers providing for new restrictions on output.

In short, what is happening is not abandonment of restriction or of plans for restriction, but rather a readaptation to new conditions. As competition develops it is met by widening the scope of control measures and by making their forms more flexible. When national control breaks down or is seriously compromised, control through international agreement is the next step. In nitrate and potash, and now in rubber, the step has been taken; in sugar and various other products it has been seriously contemplated; and in camphor and coffee the situation is increasingly favorable to it. Competi-

tion has neither eliminated the practice itself nor compelled abandonment of the idea. On the contrary, it has merely led to redoubled efforts to make the policy effective.

POLITICAL EFFECTS OF CONTROL

Nor is the political aspect of control to be ignored. For, in fact, the actual amount of the burden is not so significant as is the public impression concerning it. Popular belief has undoubtedly exaggerated the burden; but popular belief that is ill-founded is just as provocative of international friction as that which rests on fact.

Evidence of such friction is plentiful and familiar. It has appeared in public discussion; in official inquiries and reports, such as our own Congressional inquiries into the rubber, the coffee, the sisal, and other foreign controls; in prosecutions launched under the local law of the aggrieved country, such as the American prosecutions of American agents of the potash, quinine, and sisal monopolies; and in direct diplomatic action and threats of retaliation such as took place in our potash controversy with Germany prior to the war.

Restriction of access to raw materials and the fear that future access may be cut off are a constant source of nervous apprehension in consuming countries and hence a threat to international peace. Opinions may differ as to the extent of the economic burden resulting from control; but there is not much room for difference concerning the political irritation.

RETALIATION AS REMEDY

In what direction, then, does the remedy lie? In the past, nations have been content to rely very largely upon purely national measures in combating control; but the very persistence of the practice is ample proof of their futility.

Our own efforts in the United States have been spasmodic and largely fruitless. They have served to mitigate somewhat the effects of control in times of emergency; but in not a single case can it be said that control has been abandoned because of them.

Nor does more aggressive national action offer a satisfactory way out—even for so powerful a country as the United States. In practice, such action by this country would probably take the form of retaliation. It is one of the most persistent and insidious of popular fallacies that because of her great wealth and the great variety of her resources the United States is so little dependent on others for prosperity that any sort of restriction she might apply to foreign trade would hurt foreign interests more than it would her own.

Suppose that retaliation were adopted, what would be the method? At once it is clear that restrictions on the export of American raw materials would not be feasible. An immediate obstacle would be the Constitutional prohibition of export duties. Even if the Constitution were amended or if some other mode of restriction were employed, there are few raw products of which we have a sufficient monopoly to make the policy effective. The only notable exception appears to be raw cotton, and any severe limitation on exports of cotton simply as a mode of penalizing foreign countries would be certain to arouse violent opposition among the cotton growers.

In practice, therefore, retaliation would have to be through restrictions of imports. Here, too, the difficulties are serious. Only by great skill, if at all, could the policy be applied in such a way as to burden domestic interests less than foreign. Every duty in the existing tariff is already fixed as high as Congress deems con-

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ductive to prosperity—and a great deal higher than many others think beneficial.

To impose penalty duties would therefore disturb domestic industries and would raise prices higher than is needed for what the law contemplates as adequate protection. The goods that are on the free list are left there because it is deemed good policy not to restrict their entry. Likewise, the goods that are not on the free list and are lucky enough to get in over the tariff, are admitted largely as a matter of policy.

Take, for example, the dutiable imports of 1928. Out of the total quantity, 36 per cent were raw materials needed by domestic industry; 19 per cent were partly manufactured articles that domestic industries engage in finishing; and 23 per cent were food-stuffs, chiefly tropical or subtropical. Only 22 per cent were finished manufactures, and a large proportion of these consisted of goods that cannot be advantageously produced in the United States.

Not only, therefore, would retaliation be likely to burden domestic interests quite as much as foreign, but it would also discriminate unfairly among them; for its costs would almost invariably have to be borne chiefly by groups other than those in whose behalf it was resorted to. Prohibiting the entry of raw silk, for example, would be a boon to American consumers of camphor if it broke up the Japanese monopoly, but not to the American silk manufacturing industry. Moreover, retaliation would almost certainly provoke counter-reprisals and a general trade war, with the burden and the friction that these always entail. In short, retaliation, with its inevitable train of recrimination and reprisal, is neither a certain nor a desirable means of obtaining relief.

INTERNATIONAL AGREEMENT AS REMEDY

It is in the international, and not the national, approach that hope for genuine progress resides. In the last analysis the problem is international and does not lend itself to national solution.

Some progress has already been made on the international side. The decade since the war has produced a constantly increasing body of discussion that has served to prepare the stage for effective action. One after another, international conferences and agencies concerned with the general problem of trade barriers have been compelled to pay particular heed to the control of trade in raw materials. In the proceedings and the activities of the International Chamber of Commerce, of the League of Nations, and of the World Economic Conference, it has assumed an important rôle; and even at international labor gatherings it has intruded into the discussion by reason of its alleged bearing on industrial employment.

Nor has progress been confined wholly to the realm of discussion. Already there has been some action. In the fall of 1927, the first important multilateral agreement in respect to control of raw materials was reached with the signing, in Geneva, of the Convention for the Abolition of Import and Export Prohibitions and Restrictions.

This convention has been acceded to by nearly all of the leading countries, including the United States. Though its provisions are not limited to raw materials, these fall within its scope. The agreement is greatly weakened by a multitude of exceptions limiting both its scope and its duration. Nevertheless it is a significant achievement. It definitely establishes the principle that, in general, the presumption is against

restrictions of trade such as those to which it applies. It invites the use of existing international machinery for settling disputes; it sets up a procedure to that end; and it contains a moral, though not a legal, obligation on the part of the signatories to submit their differences to some form of arbitral or judicial procedure.

Two subsequent multilateral agreements which grew out of the same conference may also be mentioned, one relating to hides and skins, the other to bones. Unimportant though these may seem to be from a commodity standpoint, they are distinctly significant on the side of precedent. In contrast to the more general agreement on Prohibitions and Restrictions, they include export duties within their scope, in one instance providing for their complete abolition, in the other for their maximum limitation. They suggest, moreover, the possibility of a much more extensive use of specific commodity agreements, once there is general agreement on principles.

After all, however, these agreements are but a first step, and they do not go very far toward solving the problem. They are significant largely as precedents rather than as far-reaching instrumentalities for dealing with particular problems in the field of raw materials. There is pressing need for further action.

The first need is for an international agreement dealing with basic principles concerning what is fair in these matters. Such an agreement would bring the whole discussion of the subject to a focus and would thus furnish a useful background of information. It would remove the matter from the legal status of a purely domestic question. It would definitely promote the peaceful settlement of disputes. It could provide a definite judicial procedure for dealing with justiciable mat-

ters, and it could provide a procedure for arbitrating those which are not justiciable.

The very existence of the agreement would tend to promote the resort to arbitral procedure, since a country will often submit to arbitration a dispute arising under a treaty to which it is a party, whereas in the absence of a specific treaty it will often refuse to do so.

What is first needed, therefore, is an international conference addressed wholly to the problem of raw materials, or perhaps even confined to the problem of government control.

SCOPE OF CONFERENCE

But upon what principles could such a conference be expected to agree? What, after all, is fair and reasonable in respect to controls over exports of raw materials? Take, for example, export duties levied for revenue purposes. May these not be so high as to enable a nation to throw the burden of a disproportionate share of its public expenditures upon foreign purchasers of the raw material? If so, where is the line to be drawn and what criteria shall be used in drawing it?

Again, take those restrictions aimed at enhancing the profits of the producers, such as the coffee, the potash, and the rubber controls. Might it not be possible to arrive at an agreement to the effect that the prices charged foreign consumers shall not be so high as to enable producers operating under normal conditions and with reasonable efficiency to secure profits greater than are generally current in non-monopolistic industries? How far does the local regulation of public utilities furnish a precedent for the possible international regulation of government-fostered monopolies of raw materials?

Finally, take the case of export restrictions in aid of domestic manufac-

turing. In respect to these, a start has already been made in the resolutions of the World Economic Conference; but the resolutions are vague and in any event without legal effect. Might it not be possible further to define them and to give them legal effect? When, for example, are exports "unduly burdened" by restrictions in aid of domestic manufacturing? What is the nature of the "exceptional or compelling circumstances" that may justify them? How shall it be told when such restrictions are for the "special purpose" of putting foreign countries using the materials in a position of "unfair inferiority"? If there is to be any legal limitation upon the economic sovereignty of nations, how far, to be specific, is Canada entitled to go in imposing restrictions on exports of pulpwood to the United States? These are some of the difficulties with which an international conference on raw materials would have to contend.

It is, of course, idle to hope that any conference could determine in advance precisely where the lines are to be drawn with respect to these matters. Nevertheless, it could give them sufficient definition to serve as a useful starting point. It could then prepare the way for their further elaboration, and for their adaptation to the needs of a changing economic order, by setting up the requisite machinery for interpreting and applying them. This would be the next important step.

The agreement could make provi-

sion for gradually elaborating a body of rules and decisions that would ultimately become virtually a quasi-judicial code of fair practices. Already, as the World Economic Conference has specifically pointed out, the legal basis for such judicial machinery is available. Under its statute, the Permanent Court of International Justice is authorized to appoint expert bodies for making inquiries and for giving expert opinions on any matter coming under its jurisdiction. Under this provision, the Court could very well establish a branch for dealing with commercial questions.

The immediate problem, however, is not so much to present a bill of particulars for future international action as it is to promote effort in that direction. It is time to disabuse ourselves of the idea that economic problems such as this one always solve themselves; or if they do not, that any country so powerful as the United States can readily take the situation in hand and solve it to her complete self-satisfaction.

If friction is to be minimized, it will have to be through international cooperation in the handling of this essentially international question. There will have to be, as Professor Bonn has so aptly put it, a genuine effort to see that in some measure "the unequal distribution of natural opportunities" shall be "compensated by the creation of some code of international economic hospitality."

The International Aspect of the Mineral Industry

By CHARLES K. LEITH, Ph.D., LL.D.

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MINERALS are only a part of our raw materials, but they play a very essential part in international relations and they comprise the great group of our wasting assets. I should like to review, in just a few words, the mineral position to which the United States policy has been and is to be adapted.

The United States produces about forty per cent of the world's minerals. It is the most nearly self-sufficing in minerals of any country of the world. It uses, however, more than this proportion of forty per cent and when we come to look at the figures in some detail, it appears that some minerals are present in surplus, a great many in deficiency.

There are only three of our minerals which are produced in sufficient amount to make export in quantity possible—coal, sulphur, and phosphate. With the addition of petroleum and copper which are brought in from outside, we also export those minerals. There is a small group of minerals in which the country is just about self-sustaining and it is rather a short list: aluminum, iron, lead, zinc, and gypsum. There is another considerable list of minerals which we produce to some extent, but for which we are dependent on the rest of the world for a considerable part: mercury, tungsten, barium, fluor spar, and graphite. Then we come to a list of minerals of which the country has very little and which we import almost entirely: antimony, chromite, manganese, nickel, tin, asbestos, nitrates, and potash.

I am not expecting you to recognize at once the names of these minerals or

to remember these lists, but just by naming them perhaps you can see what is meant when we say that this country is the largest producer of minerals and you can also see the limitations in that remark. There are only a very few minerals, in fact, in which we have an exportable surplus or enough for our own use.

INCREASED CONSUMPTION OF MINERALS

The situation is changing, also. There are certain minerals which have been sufficient for our own use in the past which probably will be insufficient in the near future. No other country in the world is drawing on its resources at anything like the rate of the United States, and the result of this heavy consumption is that we are beginning to see, for some minerals and in some districts, limits which, while not immediate, have to be considered.

There is a general consensus among engineers and geologists that the not very distant future will make it necessary for us to look outside for a part even of our copper supplies. Copper is one of the substances which we have produced in quantity. Domestic supply and demand are just about balanced now, but with increasing consumption it will be increasingly necessary to look outside.

Oil is in about the same position. We import about as much oil as we export; but the time is not very far distant when more reliance must be placed upon outside sources, and commercial interests are even now looking for such sources.

Iron ore is one of the substances in which this country is very rich and we naturally think of it as self-sufficing. The peak of production of the Lake Superior region will be passed in fifteen years. That period is within the time which has to be considered in the building of large new plants; it is already a factor in the decision as to whether new plants shall or shall not be built in Chicago. There are other sources of supply in the United States which must take on a part of the load as the Lake Superior peak is passed, but these are insufficient to meet the demand; so we find the iron industry already bringing in iron ore from Cuba, small amounts from Europe and from Chile, and making plans to start importation from Brazil.

In general, there is now upon us a distinct shift toward foreign exploitation. Our commercial interests and engineers are exploiting at a fast rate abroad. They did not enter this activity quite as early as our principal competitors, the English, with the result that in outside exploitation the net results do not bulk quite so high as those of English capital and English commercial companies. On the other hand, at the present time we are probably doing more in this line than any other nation, and we are gaining impetus every day because of the shift of the emphasis on our sources of raw materials and the necessity for looking ahead and looking outside for some of these essential raw materials.

GOVERNMENT POLICY IN THE PAST

What has been our Government policy in regard to minerals? On the whole, to give a conclusion in advance, I think it may be said that while it has been piecemeal, not adopted as a unit, it has been a fairly reasonable adaptation to shifting conditions. The policy of our Government from the start was

to alienate its ownership in minerals. As fast as possible, our public lands and minerals were passed out to private ownership. It was only after nine tenths of the public domain had thus been alienated that a change in policy was adopted, and under our mineral Leasing Act, which is now eight or nine years old, we see a definite tendency to stop this process of turning over minerals to private control.

Under the Leasing Act, mineral rights are given over to private activity only under severe restrictions and since the Act was passed there has been a series of supplementary decisions and acts and withdrawals which have tended to take the small remainder of our mineral resources still in possession of the Government out of the field of private exploitation and put it under control of the Government.

In this activity, our Government has been slower and has done less than almost any other government where minerals are important. As we survey the world situation we will see this process of tightening of government control of minerals, which was given a great impetus by the war, though it began long before that time and has continued since. Our Nation has done the least of any, but the signs are unmistakable that at the present time there is a different public mood.

There are reflections of this tightening of government hold on minerals in taxation. This is not entirely a matter of the Federal Government, it is partly a matter of the state governments. There is no uniform policy, but here and there minerals are taxed awfully on the basis of their having something different from ordinary values—that they are wasting assets in which the public has a peculiar stake. For instance, it is specifically stated in the reports of the Minnesota Tax Commission that the iron ores are required

to carry an unusual burden of taxation because they are wasting assets in which the public has a special interest. As we look around the country we find various special royalty, occupation, and severance taxes on minerals. On the other hand, the Federal income tax law gives minerals large write-offs because they are wasting assets. This is particularly true of oil.

MINERAL TARIFFS

Mineral tariffs have naturally been more used in this country than in others; we have had more to protect. There has been a good reason for protective tariffs on many of our industries, which has enabled them to grow and become large producers. However, tariffs have worked so well for a number of minerals that the belief has been developed that they will work equally well for all minerals. We are optimistic in this country. We have done wonderful things, and where we have apparently been short of certain minerals it has been very easy to say, "Let us produce this mineral by enactment; let us put on a tariff; let us develop that particular mineral in this country."

Unfortunately, the development of minerals was started a long time ago in the geological processes of the earth and was completed a long time ago, and enactment apparently has had very little effect on the outcome of these processes. The result is that there are several of our tariffs which are levied with the idea that this country has minerals, where the minerals simply do not exist in sufficient quantities. The tariff has proved to be nothing but an expense and an irritation and has, furthermore, resulted perhaps in a tendency to deplete this country of certain small reserves of these minerals which might be more useful to us in times of emergency.

Mineral tariffs have been considered piecemeal and so far as I know there has been no attempt to survey the mineral field broadly and to decide for what groups of minerals the tariffs are useful and reasonable and for what groups they really run against the facts of geology—against the fact that nature has not put certain minerals here.

Turning to the foreign field, in outside exploitation in which we are now the most active nation, we find that our Government has for the most part let our commercial interests shift for themselves; many of them have been big enough and strong enough to do this; they have not needed a great deal of help and they have been quite successful. However, the situation is changing; other governments are helping their national interests in this field of exploitation, particularly the British Government, which is our principal competitor, and it is becoming increasingly difficult for our commercial agents, no matter how strong, to find a free field for their outside activities. For small companies or for individuals, the foreign field is pretty nearly closed today.

While we have done comparatively little politically in regard to foreign exploitation, there is an indication that here also there is a change in policy under way. Under the provisions of the Leasing Act, it is possible to exclude participation in the leasing and the operation of our public lands on the part of aliens whose countries exclude us, and this clause has been effectively used by our State Department in opening up the field for exploration in certain other countries.

Our Government has also stepped in in specific cases. For instance, our oil companies, desiring to participate in oil development in Mesopotamia and finding themselves thwarted by a combination of commercial and political inter-

ests abroad, appealed to our State Department and to our Commerce Department, with results which opened the door for them. There have been a number of such cases. Also, we have done something in a defensive way; in the Philippines, for instance, from the start foreigners have been prohibited from taking part in the mineral exploitation, which essentially means that we are helping our own nationals in the exploration in that field.

GOVERNMENT POLICY IN THE FUTURE

This is a very brief and very crude summary of the situation up to date. It has been a matter of fragmentary adaptation of political measures to meet the situation as it has become known to our lawmakers. But further adjustments are in sight. They seem to be inevitable because of certain fundamental changes which are taking place in the industry, and I wish to outline very briefly some of these changes, because it seems to me that they point the way to the political adjustments which are likely to follow.

The primary change is the very great increase in world consumption of minerals. We are just beginning to dig ourselves into the earth and to use minerals. It has often been stated, but it may not be known to every one, that we have produced in this world more minerals in the last twenty years than in all preceding history. It is only eight years ago that the breaking point was reached in oil; in other words, in the last eight years we have produced more oil than in all preceding history. The curves of production are rising with the population, and faster than the population, to an extent which has hardly been realized. The scale can hardly be overemphasized. Precedents which are based on the old concept of using small bits of minerals

here and there, sufficient for local needs, must be changed to take into account this new scale. A single iron mine in the United States, in the six months of production during the summer, now produces more than the entire United States used in any one year up to the Civil War. I could go on and multiply illustrations of that sort indefinitely.

SMALL DEPOSITS ARE COMMERCIALY INCONSIDERABLE

The effect of this increased consumption is to minimize the importance of hundreds of small deposits of minerals scattered over the world. They hardly figure any more in the picture. There are only a few great sources of supply which really play any part in meeting this great demand, and so with these rising curves of consumption we see a progressive focusing of demand on these sources. Nature may have made some thousands of copper deposits, but it has made only some few dozens of really important mines. It has made tens of thousands of iron mines but not more than eight or ten really first-class sources of iron ore the world over; and it is those great sources that are coming to dominate the situation. So it appears that most of the world's minerals today are coming from a very few sources. Nickel is coming practically from one source, tin from two, iron ore from six or eight, copper from eight or ten, graphite from three, manganese from three, and asbestos practically from one source.

You say, "Well, why not change it; why not draw them in from other sources?" There are hundreds of other deposits of these minerals, but commercially they do not count because the aggregate total output from many of these smaller properties would not begin to meet the present great demand. Thus it is that there is a marked focusing of the entire commer-

cial movement on these few natural resources.

It is also obvious that the few main sources are not distributed among all the nations. One nation may have one or two; another may have one or two others. There are a good many nations, however, which have none at all. This situation lends itself peculiarly to commercial concentration, which is going on very rapidly. Monopoly, or near monopoly, has been reached in particular mineral commodities and is apparently near at hand for others. The natural conditions are peculiarly favorable to concentrated operation of these few great units of the mineral industry. For this reason, a few large companies today control much of the world's mineral output, a good many of these companies being not only national but international in scope. At the rate things are going, it will not be many years before a comparatively small group of men will actually control the world's mineral industry—not operating many thousands of mines, but controlling the few essential sources of supply which alone can play a part in the future.

PUBLIC CONTROL AND RESTRICTION

Another new factor is coming into the situation. As the demand is increased and is concentrated about a few sources of supply, as the public begins to realize that the mineral industry is based on these large deposits, which are a matter of great public concern, affecting public welfare and safety, the attention of governments is focused upon them. All over the world there is an increase of public interest and a tightening of public control on these essential sources of supply.

This closer public control takes an immense variety of forms. In some countries it has gone the full length of nationalization. There are for particu-

lar minerals and for particular countries, many illustrations of nationalization of the mineral resource in quite recent years. Argentina, for instance, has nationalized its oil.

Mr. Edminster has given us the illustration of the Chilean nitrate.¹ The Chilean Government has gone far toward nationalization and contemplates another step, namely, the consolidation of all the private companies, the organization of one Government company and the exchange of Government stock for the stocks that are now held in the private companies.

The governments are also adopting defensive measures in order to preserve great sources of mineral supply for their own nationals. The "closed door," a general term which may cover this situation, is now pretty general around the world. Turn to country after country outside of the United States and you will find restrictions upon alien exploration. It is becoming almost impossible for the individual explorer to take the boat or the train and go to any part of the world and be free to explore and acquire minerals. There are restrictions of a great variety of sorts; some are direct prohibitions, some are indirect, and in some cases the object is accomplished merely by dilatory tactics.

The "closed door" tendency is a very interesting one. It has spread rapidly, in spite of the mandates of the League of Nations, which require specifically that the lands shall be held open to all for mineral exploration. In fact, they are not. This has been a subject of complaint to the League of Nations but without any material change in the situation as yet. Not only has this policy progressed a long way outside of the United States, but indications are that it is gaining im-

¹See "Control of Exports of Raw Materials: an International Problem," in this volume.

petus every day. It is a natural defensive reaction when a country is roused to the fact that the few great mineral sources are going to play a very important part in the future commercial game—that they must be secured not only for home consumption, but as a chip, if you please, in the great game, as something to trade with. Even though the country has only one great mineral which the world needs, it is something by which the country may trade to secure supplies of other needed minerals.

WHAT ATTITUDE SHALL THIS COUNTRY ADOPT?

There are, then, two great movements developing—the concentration of commercial control and the concentration of political control. From our point of view and from the point of view of natural resources themselves, these movements are adjustments to the primary conditions which nature placed in the mineral field.

Now, with the present world situation, the question is, what is to be the future attitude of the United States? We have already seen that the United States is showing some indication of tightening its hold on such natural resources as it controls. The temper of the public was unmistakably shown during the recent oil scandals. It has been shown by President Hoover's complete withdrawal of all minerals from location under the Leasing Act—a policy which has since been somewhat changed. It has been shown by our appointment of the coal and oil commissions and by their activities in the field in trying to unify the mineral industry with which they are in contact.

The tendency has hardly gone farther than this, and the question is, will it go farther, will there be any need for it to go farther? The question might

seem to be purely academic if it were not for the fact that this great wave of nationalization of resources, which seems to be independent of climate, of time, of war, or of peace, has been coming on steadily for the last ten or twenty years, with no indication of any lessening. Can the United States stay out, can it stand exactly where it is, or is there some fundamental cause which is driving all the nations, all the people, toward a wider appreciation of the position of mineral resources and the desire to acquire public control?

MONOPOLISTIC TENDENCY

This subject is very closely intertwined with the question as to how far the United States will allow monopoly control to go. It has been reached for a few of our minerals and is being reached for several others. The process would go faster if it were not for the Sherman Act, which is unquestionably holding back certain combinations similar to those which have already taken place. One can hardly pick up the papers these days without noting combinations of smaller companies, but it is the fear of the anti-trust laws which is restraining such action among some of the larger ones. Abroad, this tendency is also proceeding rapidly. There is not only the merging of companies within national boundaries but also overlapping such boundaries. A number of our great companies already control resources in two or three or four countries.

As the units merge, and reach or nearly reach the monopoly state, the problem is intensified as to what shall be the relation of the monopoly and its management to public control. It is a subject that can hardly be avoided. One does not need to be an advocate of this or that political view to suggest that this problem is now upon us and that decisions must be made as to the

nature of the public control of these mineral monopolies.

Another change in the situation which I have already indicated is our increasing dependence upon foreign sources. This will require a consideration of a series of political measures and particularly a reconsideration of our entire mineral tariff structure, which was built up in the past, when our demand for minerals from outside sources was very much smaller than at present.

FOREIGN POLICY

Now, as to foreign policy, what change is there in sight? It is perfectly clear that as other governments have acquired political control of their mineral resources, our commercial interests in exploiting abroad (we are creating a mandate for them because we need the material) are coming more and more into contact, not alone with private interests, but with governments, and that they are finding it increasingly difficult to get the necessary supplies. It is becoming more and more necessary for them to call for political aid from home and such aid is being given. I could give a number of cases in which foreign exploitation is largely a political question, where free commercial activity of our own agents is not allowed and is possible only with Government aid.

The question will have to be settled, then, how far we shall come into the situation politically and what kind of political bargains we shall make abroad

to insure the necessary exploitation and flow of minerals. There is today no effective political machinery to take care of a commercial control, international in scope, which is reaching a monopolistic stage on certain of the minerals.

I shall not attempt to outline what the Government should do or should not do. There has been a good deal of discussion about the possibility of a direct internationalization of minerals. This has come up in the League of Nations and in the International Chamber of Commerce. Minerals are national assets which I think nations will be very slow to part with and there seems to be very little chance that nations will ever alienate their mineral supplies. There are, however, international understandings, existing and pending, which are in effect affording a political background and political control for the international commercial operations. It is in this plexus of agreements that there seems to be the most promise of further development in the way of an international control. By this I mean not a super-national control but a partnership control, if you please, among the nations.

The two great mineral producing nations of the world are the United States and Great Britain, or the British Empire. They are not only the great producers and exploiters of minerals, but they already control about three quarters of the world's minerals. The parties with whom the agreement will have to be made are, therefore, clearly indicated.

The Effect of Exportation of Capital Upon the Copper Industry

By FRANK C. ARMSTRONG

New York City

COPPER imported into the United States from foreign countries costs less to produce than does copper produced in this country. The greater portion of our imported copper comes from mines in South America where very low production costs are possible, due to low cost of labor and high grade of ore. Some of it comes in the form of fine copper; a great portion of it comes in the form of blister copper, as does that from Canada, Mexico, and Africa. There is no duty on any of it.

All of the copper exported directly from its country of origin to the United States or other markets enters into direct competition, both in our own and in foreign markets, with copper produced in the United States.

FREE IMPORTATION

Copper is the only metal of any importance that the United States Government does not protect by an import duty. There is no more reason why blister copper should be admitted to the United States free of duty than there is why pig iron should be so admitted. There is no more reason why fine copper should be admitted free of duty than there is why steel bars should be so admitted. Import duties are laid against iron and steel.

The South American mines producing copper imported into the United States are largely owned and controlled by the holding companies which control the principal copper mines in the United States. Under such conditions these corporations make a great deal

more money out of the South American copper than they do out of the United States product.

Copper produced in foreign countries, under what are practically slave labor conditions, should not be admitted into the United States markets duty free.

Africa is now sending large quantities of copper into the United States. The amount has increased from 5,000,000 pounds in 1921 to 130,000,000 pounds in 1928. In February, 1926, the African Metals Corporation was formed under the laws of the State of New York to handle the affairs of interests known as the *Union Minière du Haut Katanga*, which operate the Katanga copper properties in Africa. The copper from these properties is produced with low cost labor from high-grade ore and all of it enters into direct competition with copper produced in the United States.

It is utterly opposed to the principles of the United States Government and to our entire tariff theory that copper produced by the low cost labor of Africa should be permitted to enter into competition with that of the United States, within our own territory. The producers of copper in Africa, Mexico, Canada and South America have the markets of the world before them.

The United States is by far the greatest copper consumer in the world, and has increased its consumption over thirty-two per cent in the six-year period 1923-1928. The increase in 1929 over 1928 was 10.9 per cent, while in the same period the consumption in the rest of the world decreased 3.6 per

cent—a fact of great significance. The greater part of the world's copper production is used in this country. The import from Canada alone is due at the rate of 500,000,000 pounds annually in 1931–1932.

A COMPARISON

The Chile Copper Company, a representative South American concern, makes copper in Chile, South America. The Nevada Consolidated Copper Company makes copper in Nevada, Arizona, and New Mexico.

Chile's production cost per pound in 1928 was 5.084 cents. Nevada's corresponding cost was 9.197 cents or eighty per cent higher than that of its South American competitor. The difference in favor of Chile was 4.113 cents per pound.

On the face of it these figures indicate a most satisfactory condition for the Chilean Company, which reflects approximately the situation of the other companies operating in South America.

It may be questioned whether or not such a spread of costs and profits between foreign and domestic corporations in its own markets will long be tolerated by the United States, whose capital is being exported for the purpose of developing the foreign corporations!

It is unreasonable to imagine that the argument will much longer prevail that every metal except copper needs to be protected by the tariff. Labor organizations, it may be presumed, will before long take up this question and exert their utmost influence in favor of a duty.

PROBABLE EXPORT DUTIES

There is another factor with respect to South American copper which should be considered and anticipated. This is the likelihood of the imposition of export duties by the governments of the

countries of origin. None of these countries is in a strong budgetary condition and their need of additional revenue is often next to desperate. At a time which they will consider the most favorable for their own interests, export duties will be established, and if this is done before an import duty is enacted in this country, the export duties may be expected to be much higher than if there were already a tariff in the United States.

The largest fabricators of copper in this country have relations with, and are in fact owned and controlled by copper producing interests operating certain of these South American companies—a circumstance calculated to cloud the economics of the copper situation.

It may be truthfully stated that a complex and well-thought-out plan has been developed to handle the copper business along the lines it is now running. This plan is fine-spun and ingenious and contains elements of vital danger to the industry of copper development and mining within the United States. The situation should be thoroughly investigated by Congress or the proper governmental authority in order to bring about changes.

The statement is made that there is an excess of copper production in the United States and consequently that this country as an exporter of copper does not need a tariff on it. This is untrue. The same statement could be made, by way of illustration, of wheat or of iron and steel. The United States steel companies have a production capacity greatly in excess of domestic consumption and they export their products; but the industry is none the less substantially protected by the tariff. If this were not so, where would the steel corporations be today? The United States in 1929 consumed more copper than it produced

but not more than it could have produced had its mines not been throttled down to make room for foreign copper.

Aluminum, lead, and zinc are also exported and at the same time protected by the tariff.

South American copper, it is claimed, goes in considerable quantity to European countries. The fact is, of course, that in those countries South American copper competes with such United States copper as could be exported. Thus, the price is fixed in this country, as well as in the world markets, by the South American product.

EXTENSIVE DEVELOPMENTS

South American copper has a growing and dangerous competitor in the Belgian Congo copper industry.

Copper markets outside of the United States will not absorb the present, to say nothing of the rapidly developing, prospective production of the South American and the African companies which look to the United States for their real market.

With copper coming into the United States duty free, the last ton to be sold in any of the world's markets fixes the price in this country and elsewhere. This country has never tolerated such a condition in any of its major industries. It would hardly seem reasonable to assume that an exception will be made of copper in the future framework of our international, commercial, and industrial policies.

Since copper metal has come into large use throughout the world, the industry has been dominated by United States investors and operators. The reason for this is that for many years it was believed that the United States contained the principal copper deposits wherewith to supply the entire world. Within recent years it has been discovered that such is not the case and that in South America and Africa alone

there exist deposits probably sufficient to supply the world demand, and at a much cheaper cost, laid down anywhere in the world, than copper can now be produced in the United States.

The South American deposits are practically all controlled by the same groups which operated in the United States during the period when this country was looked upon as the copper reservoir of the world.

The South American situation is thus so dominated from this country that it will be difficult, if not impossible, for foreigners henceforth to enter that field in competition with United States interests. The consequence of this situation is that foreign investors and operators have turned their eyes toward Africa. The development of the African deposits has been undertaken largely by British mining interests, but American corporations as well have now become increasingly active in that country.

A QUESTION RAISED

Any international disturbance of magnitude will adversely affect the production, the transportation, and the marketing of African and South American copper.

Chile and Peru are on the Pacific littoral. Whether or not our own navy controls the Pacific Ocean remains to be demonstrated. Despite the strivings after peace, no reasonable man will say that wars cannot and may not come. What position would the United States be in if it were depending on copper supplies from South America and Africa? Such supplies would be cut off over night in the event of war.

The present production of copper in the United States does not equal its own peace-time consumption. In the case of war there would be a shortage at once, perhaps entailing most disastrous consequences. A war would be

over before we could develop additional copper supplies. What would happen in the event of a shortage of oil during the next war may well be emphasized as to copper.

The adjustment of this copper situation is of grave national concern. We might for a moment reflect upon what the conditions in this country would be in time of war if, for example, the mines of Pennsylvania were barely able to meet the coal demand of peace times, and we were depending upon imported coal to supply anything over a normal demand, to say nothing of a war-time demand.

Capital for the development of copper properties within the United States has been withdrawn, for the view obtains: "What is the use of developing mines in the United States that can produce copper at ten cents a pound, when we can get more copper than we need from South America and Africa at six cents a pound?" Money talks, and so it speaks for copper.

When the foreign developers of South African copper—to say nothing of the rapidly approaching tremendous quantities of the new Canadian copper production—have it for sale, they will see to it that no United States or South American copper is sold in European markets until the last pound of their own copper has first been sold. Thus, the South American copper will be thrown back upon the United States market, where it should be confronted by a tariff in conformity with our entire industrial structure.

PROTECTION NEEDED

One of the greatest assets of the United States has always been considered to be its copper deposits, and if there are any industries in the United States which should be fostered, they should include metal mining, not leaving out the copper industry. All other

metals are very fully protected by tariff, and copper would also be protected, except for the fact that the copper interests can make more money out of mines in foreign countries than they can out of mines in the United States. And the same group controls practically all of the important operating copper mines in the United States, from the profits of which came the capital now being exported and used adversely to the mining industry of this country.

It is a mistake for this country to deplete its great asset of copper ores within its own territory in a vain endeavor to produce copper metal and sell it in its home market and in the markets of the world, in unrestricted competition with copper produced by the labor of South America and Africa. All the production of many copper companies in South America enters into direct competition with the copper of the United States.

The Anaconda Copper Company, a notable example, if compelled to depend upon the profit derived from mining and selling copper from its mines within the United States, would experience difficulty in supporting its present capital structure. The Anaconda Company operates zinc and lead mines. These metals are protected by tariffs. Manganese is on the dutiable list. Yet a very small part of the manganese consumed in the United States is produced here. Aluminum particularly enjoys the benefits of our tariff policy in a remarkable degree.

The mining business in the United States would practically disappear if all metals were subjected to the same conditions as copper.

OUR RESOURCES NEGLECTED

A great deal is being said about the depletion of the oil reserves in the United States. The gravity of the copper situation is at least equal to that

of the oil situation. New sources of oil supply are constantly being discovered within the confines of the United States. New sources of copper supply are but rarely discovered; and now, due to the weight of foreign copper hanging over the markets of the world, and its low cost, there is little or no incentive to seek out and develop them. Years of time are required to develop and equip large copper mines.

Copper mining is the paramount industry of the State of Arizona, which produces over twice as much copper as any other state. In 1928, Arizona mined over 730,000,000 pounds of copper. This amount was exceeded in 1929, when Arizona produced more than forty per cent of the entire copper production of the United States. The great low-grade ore mines of the state produced most of this copper. Not one of these mines would have been developed and operated had the low cost copper of South America and Africa been, as it now is, in the market when they were started, for capital would have gone to the development and the equipment of the foreign mines from which most money could be made, as it does to-day, neglecting our own resources.

This influx of foreign low cost copper means perhaps more to Arizona than to any other state. Its present mines are running at low speed and its undeveloped resources are neglected, and this will continue so long as low cost foreign copper is permitted to usurp Arizona's natural market. The same set of facts of course applies to all other copper-producing states.

To protect the agriculturist, duties are imposed on wheat coming from Canada, South America, and elsewhere. The United States has a vast over-production of wheat but, notwithstanding, the duty is there. If the farmer is to be protected, why

not the miner? Mining is as basic an industry as farming. The free admittance to United States markets of the product of twenty-cent-a-day labor has precisely the same effect as the admittance of the laborer himself.

CONSOLIDATIONS

Consolidations of copper interests and corporations are proceeding right along, resulting in the creation of holding companies, whose domestic and foreign interests are commingled. These great holding companies are concerned only with making money. Inasmuch as their greater profits come from their foreign properties, their un-failing course is to discourage further development of domestic mines. Hence, the day of the small mining corporation, to say nothing of the individual operator and the prospective mine, is rapidly passing, and our undeveloped copper resources will remain as they are, while foreign mines supply the United States market.

Under the Webb-Pomerene Act, a copper association has been organized, the principals in which are the identical interests controlling these South American copper companies. This association has for its alleged purpose the regulation and the control of the export of copper from the United States, with a view of raising or "stabilizing" the price of copper. They know that many of the copper mines of the United States cannot exist under present conditions, and at the same time they realize that they dare not completely close down mines in the United States and then themselves operate copper properties in South America and other foreign countries to supply the demand for the metal in this country. The utter collapse of this cartel is of so recent a date that it is a matter of great current interest in mining, industrial,

and financial circles at this very moment.

Careful examination of this subject discloses a situation without parallel as affecting a major industry of the United States. There is a remarkable lack of knowledge on the part of the general public concerning anything having to do with copper mining, which is not surprising when it is considered that the properties are generally located at remote points and the information furnished concerning their operations, with the notable exception of certain domestic mines, is put out in a way more likely to confuse than to enlighten.

When the copper mines in the United States were started, these foreign, cheaply operated deposits were not known. When the latter were discovered, certain of those engaged in the copper business in the United States secured control of many foreign properties and found that they could make copper much cheaper abroad than was possible in the United States. This they proceeded to do—and with the wealth produced by United States mines.

Holding concerns like the Kennecott Copper Corporation and others, with their vast capital, exist because of the great profits they derive or hope to derive from their South American properties.

THE REMEDY

However, all copper mines in the United States—operating and prospective—are not of these groups, and those which are not so owned and which are without South American and African subsidiaries are entitled to protection, and the industry itself is entitled to protection. A duty upon copper is the only remedy in such a situation under our present tariff policy. If that protection is not given within a

comparatively few years the copper industry in the United States will have practically disappeared.

The copper producers of the United States are interested in having a fair price for copper maintained in the United States, and they can then take their chances with the rest of the world. Let copper produced in foreign countries be sold in foreign markets and let the United States copper industry be protected by a tariff, to which it is certainly entitled if any industry in the United States is so entitled.

Great numbers of men are today unemployed in the copper mining districts of the United States because the operations of local mines have been greatly curtailed. This condition would not exist except for the fact that domestic copper is compelled to share its home market with a South American and an African product produced at perhaps half the average cost of domestic copper and admitted duty free. It should be particularly noted that this free entry in no way makes for cheaper copper to the home consumers. It does, however, permit cheap foreign copper to be sold in a market rightfully belonging exclusively to the mines of the United States up to the limit of their ability to supply it.

DESTRUCTIVE METHODS

The involved and peculiar method by which the copper interests controlling foreign mines handle their affairs so as to make it appear that the copper mines of the United States do not need the protection of the tariff may, at first glance, seem to be a difficult web to untangle, but the facts and figures, furnished by Government authorities, properly examined, make quite readily apparent the truth of the situation.

The policy of our Government—and rightly so—has always been that

domestic industries should be favored in domestic markets. The copper industry is not so favored, but is put under a ruinous handicap such as no other domestic industry would tolerate.

The international copper interests own and operate mines in foreign countries whose vastly profitable operations depend upon and involve the sacrifice of the copper industry in the United States.

All the facts appear to indicate that a duty of not less than six cents per

pound should at once be imposed upon copper in all forms, except ore, imported into the United States.

This copper situation presents what perhaps is the first outstanding illustration of the results of the exportation of capital from the United States for the particular purpose of building up in foreign countries a basic industry whose low cost product is shipped back to the United States, there to compete with and ultimately to destroy one of its own most important industries.

The Copper Industry: a Reply¹

By COLONEL PERCY E. BARBOUR

Mining Engineer, New York City

MR. ARMSTRONG'S paper² calls for correction in many figures which he gave but which do not agree with the official figures of the industry. His chief premises in advocating a tariff on copper are: (1) foreign copper costs less to produce than American copper; (2) South America has low cost of labor and high grade of ore; (3) imported copper enters into competition with copper produced in the United States; (4) copper is the only metal of importance not protected by a tariff.

COST OF FOREIGN AND AMERICAN COPPER

The computation of copper costs is a complicated and difficult task. One

¹The address by Mr. Frank C. Armstrong, which precedes this article, was presented at the Thirty-fourth Annual Meeting of the American Academy on May second, 1930. A number of those connected with the mining industry and the mining profession noted the press reports of this address, among them Mr. H. C. Bellinger, Vice President of the Chile Copper Company, who asked the privilege of replying to Mr. Armstrong's statements regarding the question of slave labor conditions in Chile and his comparison of Chile's and Nevada's costs, and also Col. Percy E. Barbour, a mining engineer of New York, who asked the privilege of replying to the question of an import duty on copper. Not having sufficient space for two articles, we suggested that Col. Barbour and Mr. Bellinger combine their remarks in one article. Mr. Bellinger's remarks in regard to labor conditions in Chile and the comparison of Chile's and Nevada's costs are therefore included in the article by Col. Barbour, which we are glad to publish on the principle which the Academy has always followed, that its platform and its publication should be open forums where both sides of a question may be freely discussed.—*Editor's note.*

²See Armstrong, Frank C., "The Effect of Exportation of Capital upon the Copper Industry," in this volume.

great difficulty is presented by the fact that there is no uniformity in accounting and bookkeeping methods among the different companies. A very careful analysis of the cost of producing copper, giving due credit to the various contents of precious metals and proper debit on account of mine production, smelting, refining, selling costs, and depreciation, was published in the *Engineering and Mining Journal* of June 8, 1929,³ based on company reports for 1928. From the final table of costs in that article, the following are extracted. They are especially comparable because the operations are all on a very large scale on very low-grade ores.

Mine	Cents Per Pound
Utah.....	7.29
Nevada.....	9.42
Chile.....	8.51
Andes (in Chile).....	9.69
Braden " ".....	Not available

During the year 1928, the productions of these companies were:

Mine	Short Tons
Utah.....	136,912
Nevada.....	134,231
Chile.....	132,932
Andes.....	52,029
Braden.....	109,136

The average cost of the total of Utah and Nevada copper above was 8.34 cents as compared with 8.51 cents

³Parsons, A. B., "Analyzing the Cost of Producing American Copper."

for Chile or as compared with 8.89 cents for Chile and Andes together. Braden costs are not published but are known to be not materially different from the Chile costs and will not affect the above disproof of the statement that foreign copper costs less to produce than copper produced under the same, or as nearly as possible the same, conditions in the United States.

Referring specifically to Mr. Armstrong's comparison of the cost of Chile Copper and Nevada Consolidated Copper for the year 1928, which he gives as 5.084 cents and 9.197 cents, respectively, this is not a fair comparison. He has compared Chile Copper's bare production cost with Nevada's total cost, including all general expenses, depreciation, interest, income taxes, and so forth. Chile Copper's cost on the same basis, i.e., including all general expenses, depreciation, bond interest, income taxes, and so forth, is 8.51 cents, as stated in the table given.

The African coppers will be coming into the world markets in increasing volume during the next ten years. Their costs are estimated by the Mineral Research Corporation,⁴ as follows:

Mine	Cents Per Pound
Bwana M'Kubwa.....	16.0-16.5
Roan Antelope.....	9.5-10.0
N'Kana.....	9.0-9.5
Mufulira.....	9.0-9.5
N'Changa.....	11.0-11.5
Chambishi.....	10.0-10.5
N'Changa West Ext.....	10.0-10.5

It is therefore apparent that the statement that the foreign coppers cost less to produce than United States coppers is far from the fact unless companies taken for comparison are obviously non-comparable.

⁴ *Rhodesian Coppers*, Mineral Research Corporation, New York, 1929.

SOUTH AMERICAN LABOR COSTS AND GRADE OF ORE

Mr. Armstrong's reference to the production of Chilean copper under slave labor conditions is unjustified as well as unfair to Chile, which is considered the most progressive country in South America. His charge must be based on two factors—living conditions and wages.

Mr. H. C. Bellinger, Vice President of the Chile Copper Company, states, with reference to living and wage conditions in Chile, that the three American copper companies operating in Chile, which in 1928 produced 96.4 per cent of the copper output of that country, provide free housing, light, maternity and general hospital service, and recreation and amusement facilities in the way of club buildings, athletic fields, and so forth, for all of their employees. Two of these companies operate their own stores, under most sanitary conditions, these being equipped with cold storage for meats, vegetables, and so forth. However, these companies do not restrict the purchases of their employees to the company stores, but encourage reputable outside concerns, not in any way connected with them, to operate stores and to sell to the employees. As a further safeguard to the health of the workmen, all foods—particularly meats—whether sold in their own or outside stores, are inspected and passed upon by sanitary inspectors. Also, in order to prevent profiteering on the part of outside merchants, the company stores are operated without profit. It may be of interest to note that probably 90 per cent of the merchandise sold in these camps is through the company stores. The third company does not operate its own stores, all merchandise being sold through outside concerns.

In August, 1929, the President of the

Republic of Chile, Don Carlos Ibañez del Campo, visited the mines and the properties of two of these companies, and I quote below a few extracts from Chilean newspaper articles regarding his impressions of the conditions under which the workmen employed at Chuquicamata live:

His Excellency has seen industrial establishments of which any country may be proud, with good dwelling houses, hygiene, beautiful schools, excellent hospital attention, equal and just treatment of personnel and wages more or less in harmony with the work performed; in resúmen, a superior comprehension of the duties of employers.

Enterprises such as these deserve the greatest consideration of the Government, as their attitude is a generous contribution to the program of harmony and social justice.

Here in Chuquicamata I find the Chilean workers well dressed, of healthy appearance and living in clean and well preserved homes in an atmosphere of culture worthy of all praise.

The day before yesterday we had the opportunity to talk with the President about various problems of public interest in Antofagasta, to which we referred in a previous article, and speaking about working conditions at Chuquicamata he expressed himself with ardour in praising the Management of the Mines, saying that they had neglected nothing insofar as hygiene, sanitation, comfort, education, culture, amusements, living conditions, etc. were concerned. And ended his talk by the following textual words, "I would like nothing better than to see all my fellow citizens live as do the laborers of Chuquicamata."

and I may say that His Excellency spoke equally well of conditions as he found them on his visit to the other copper property.

With regard to rates of pay, Chile does not differ from any other country. Wages are primarily based on two conditions: first, cost of living, and second, efficiency. The labor cost per ton of

copper produced in Chile is quite as high as for that produced in the United States of America. In other words, per unit of work done, the Chilean laborer is as well and as highly paid as the same class of labor in this country.

In South Africa, the wage scale for native labor is admittedly low, but it is the most expensive labor per unit of product. It is untrained, indolent, and inefficient, and the operators are importing highly paid skilled miners from England, with benefit both to their operations and their unit costs.

COMPETITION OF IMPORTED COPPER IN THE UNITED STATES

There is no real competition in the United States of foreign copper with home production, for the simple reason that the United States has always produced more copper than it consumed; Mr. Armstrong to the contrary notwithstanding. The United States has always depended on its export trade for disposition of its surplus production and for its profits, which it could not have made on the scale of the past except with production on the scale of the past and with foreign markets to take its surplus output.

The following table from *Mineral Industry*, based on United States Bureau of Mines figures, shows that the United States, over a period of twelve years ending 1928, has consumed 61.7 per cent of its production and has had to depend on foreign consumption to take the other 38.3 per cent.

Copper is not imported by this country for consumption. It is imported for treatment and refining, the costs of which inure to the benefit of United States labor.

The latest figures available from the American Bureau of Metal Statistics show the 1929 production of copper in the United States as 2,052,696,000

CONSUMPTION OF NEW REFINED COPPER
IN THE UNITED STATES

(In pounds)

Year	Production	Consumption
1917.....	2,428,546,171	1,394,829,715
1918.....	2,432,385,290	1,661,669,576
1919.....	1,805,306,801	914,471,572
1920.....	1,634,908,644	1,156,843,675
1921.....	1,020,027,096	497,483,943
1922.....	1,358,659,101	925,968,236
1923.....	2,140,546,843	1,392,198,877
1924.....	2,405,985,978	1,430,273,460
1925.....	2,304,347,370	1,460,191,933
1926.....	2,493,051,142	1,570,136,207
1927.....	2,429,042,791	1,422,959,219
1928.....	2,572,338,409	1,608,538,878
Totals.....	25,025,145,636	15,435,565,291

pounds, and the consumption as 2,238,800,000 pounds. But these figures do not give the complete picture. United States production was increasingly curtailed throughout the second, third, and fourth quarters of the year, owing to world business depression. Had the production continued throughout the year at the highest monthly rate, the total for 1929 would have been 2,256,000,000 pounds.

COPPER THE ONLY UNPROTECTED
METAL

That copper is the only metal of importance not protected by a tariff is a poor argument for a tariff. A tariff would increase the cost of copper to every United States consumer. Moreover, it would cut down our export field (which in 1928 accounted for some 294,000,000 pounds of copper in manufactured products), which would restrict our production, which would in turn increase our production costs; so that the amount of the tariff would not be all net gain, even if the rest of the economic world could be ignored. Foreign copper is going to compete in the foreign markets with

United States copper, whether it is first imported to this country for refining and selling or whether it is not imported; and manifestly, it is greatly to the advantage of this country to have the refining and selling of it rather than to have it controlled by foreign operators.

One could go through Mr. Armstrong's paper by paragraphs and there is hardly one that will stand the acid test of actual facts which the copper industry has to face. I quote an example:

Copper markets outside of the United States will not absorb the present, to say nothing of the rapidly developing, prospective production of the South American and the African companies which look to the United States for their real market.

As a matter of fact, the "copper markets outside of the United States" not only do absorb all of the foreign production but they absorb 38.3 per cent of the United States production in addition. Neither the South American nor the South African coppers "look to the United States for their real market."

In an earlier paragraph, Mr. Armstrong says:

In February, 1926, the African Metals Corporation was formed under the laws of the State of New York to handle the affairs of interests known as the *Union Minière du Haut Katanga*, which operate the Katanga copper properties in Africa.

The statement is true but the implication is not. Katanga copper has long been refined at the Nichols copper refinery on Long Island. Unfortunately, this is not likely to continue indefinitely after the development of the African coppers and the building of either African or European refineries. The Katanga copper is said to be cheap copper; how cheap is not known because the figures are not published.

The African Metals Corporation has a function wholly aside from selling copper in the United States market, which undoubtedly it does to a limited extent. The total Katanga production is only a small percentage of the copper handled by the fifteen principal copper selling agencies of the United States, figures for five of which are readily available. As a matter of fact, only about half of the Katanga production comes to the United States for refining. Even if the African Metals Corporation sold all of this copper in this country, it would still be a very small factor, of no particular market influence.

The principal selling agencies in this country and the approximate quantities handled are:

Agency	Lbs. per Annum
Anaconda	1,000,000,000
Am. Smelt & Refining Co.	1,000,000,000
Kennecott & Nevada	800,000,000
American Metals	500,000,000
Phelps Dodge	200,000,000
Katanga	150,000,000 *

* Imported.

In another paragraph, Mr. Armstrong takes up the cudgels for Arizona. He says:

This influx of foreign low cost copper means perhaps more to Arizona than to any other state. Its present mines are running at low speed and its undeveloped resources are neglected, and this will continue so long as low cost foreign copper is permitted to usurp Arizona's natural market. The same set of facts of course applies to all other copper-producing states.

One is inclined to ask what "set of facts," because the only "fact" in the paragraph quoted is that Arizona's mines are "running at low speed" and

that applies only to state production as a whole and not to some instances, like Miami, which is running at greater capacity than ever. This is shown by the following official production figures:

MONTHLY AVERAGE PRODUCTION IN
SHORT TONS

Mines	1928	1929	1st Quarter 1930
Calumet and Arizona	5,432	5,437	3,935
Magma	1,521	1,593	1,138
Miami	2,011	2,464	2,817
Old Dominion	922	931	894
Phelps Dodge	8,511	9,252	6,424
United Verde Ext.	1,839	2,472	1,924

The reason that Arizona's mines have slowed down is that world business has slowed down, and Arizona's production has been curtailed. Continued high rate of production would simply pile up stocks of refined copper, which costs about a dollar per ton to carry.

Under normal conditions, the world would have consumed about 4,040,000,000 pounds of copper in 1929, based on the average annual increase of six per cent over the last fifty years, making proper allowance for the war setback, as I have previously shown.⁵

The latest figures available from the American Bureau of Metal Statistics give the actual world consumption of copper for 1929 as 4,207,800,000 pounds. Indications are that the rate of world consumption for the first quarter of 1930 and also the present rate are lower.

Mr. Armstrong's conclusions are at complete variance with well-known facts throughout the industry.

⁵ Barbour, Percy E., "The Next Move in the Price of Copper Metal," *The Annalist*, New York, March 7-14-21, 1930.

Commercial Policies as Causes of International Friction

By WILLIAM E. LINGELBACH, PH.D.

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THE political consequences of economic policies are not always easy to determine or estimate. Nevertheless, it has been fairly generally accepted by historians that commercial policies and the control of exports and imports through tariffs and other devices have been a fruitful source of international friction and even of war. This is particularly true of the historians of the last generation. Earlier writers, like some of our own day, were too much absorbed in military and political history to pay much attention to the more difficult aspects of economic and cultural history.

With the advent of the economic historian, however, the history of many of the principal periods and movements of the past has been rewritten from a new angle. It is among these newer histories that the important and often basic relationships of tariffs and commerce to wars is brought out.

ANCIENT GREECE SHARED MODERN MOTIVES

Thus, while Thucydides fails almost entirely to recognize economic or commercial causes behind the Peloponnesian wars, a modern writer, George Beardoe Grundy,¹ develops the thesis that they furnished the main cause in the prolonged struggle between Athens and Sparta.

To the modern writer, the Megarian Decree controlling the trade of Megara, the alliance between Athens and Corcyra establishing command over the most important and strategic point in

the western grain route, and finally, the economic rivalry between the two principal Greek cities, are of basic significance. True, Thucydides makes incidental and almost unwitting reference to them, but their significance escapes him entirely. Thus, he repeats without comment the speech of the Corinthian agitators to the Peloponnesians:

If you let the Athenians get hold of Corcyra, the route to Sicily, and consequently the Sicilian trade, will be in their hands. Of course states like Corinth which actually carry on that trade will suffer most, but your turn will come when you are unable to obtain through Corinth that corn which you purchase through your manufactured and home grown commodities.

This indicates a very modern motive of economic self-interest, far from the sentimental reasons usually given, for the action of the Peloponnesians in uniting against Athens. Certainly the fear of Athenian control of Greek commerce, and consequently of Greek economic life, was quite as important as was the fear of Athens as a political power.

To Athens, on the other hand, the control of the Sicilian grain trade through Corinth was all-important, because only in that way could she support an industrial population dependent on its food supply from overseas. How very modern!

COMMERCIAL FACTORS IN PUNIC WARS

If time permitted, the economic and commercial factors in the great life-and-death struggle between Carthage and Rome could be equally clearly

¹ *Thucydides and the History of His Age*, 1911.

demonstrated. First came the Carthaginian monopoly of the commerce of the western Mediterranean. Marseilles had been crowded back to the northern shores of the Mediterranean, and the Punic monopoly over the trade of this area became more and more rigorous. Professor Tenney Frank says:

Carthage had expanded till she now controlled all of northern Africa, southern Spain, Corsica, Sardinia, and the western half of Sicily. Now, though there is no indication that either Rome or Carthage resented bigness and success in each other, the methods of Carthage were objectionable to her neighbors. Her imperialism was of the oppressive and exploiting kind that often betrays itself in commercial nations. Her whole policy was mercantilistic. Navigation and embargo acts followed her army and navy. Her ambition was to gain possession in order to exclude other nations' vessels and control a monopoly of trade. . . . Now Rome was little concerned about maritime trade—in fact, the farmer-senators had always signed the trading treaties presented by Carthage, treaties which secured all the commercial advantages to Carthage and gave Rome few in return. What did they care for such things? But they were anxious for the political safety of southern Italy, which the Punic encroachment was endangering. If Carthage obtained Messana, her strong fleet could block the narrow roadstead of less than two miles that led to Rome's southern allies and the Adriatic colonies. She could also invest Rhegium, which lay across the straits, a thing she had in fact shown some intention of doing in 282. [Rome wished to prevent] the Sicilian straits from falling into the power of a state which practised the doctrine of *mare clausum* whenever possible.²

The encroachments upon Sicily threatened to extend to the eastern Mediterranean also. The dangers to the growing Roman state were manifest.

Rome defended Sicily and drove out

the Carthaginians; but the latter were ambitious, and so recouped themselves by the conquest of Spain with its rich resources, especially in the silver mines. But the traders of Marseilles had been operating in those regions. They now found themselves excluded. No others could trade where the Punic standard was raised—the “open door” was not known in those days. Being close friends of the Romans, they appealed to Rome. Rome responded, and a distinctly commercial cause was added to the others behind the second Punic War.

ENGLISH AND DUTCH COMMERCIAL RIVALRY

It would take too long to show the commercial elements in the Crusades or in the Hundred Years War. The dominance of economic factors in the English-Dutch wars of the seventh century is well known.

The coöperation of the English with the Dutch in bringing about the political independence of the latter in the years of Elizabeth in the sixteenth century gave way to an intense commercial rivalry in the seventeenth. Becoming virtually “Mistress of the Seas” in the first half of the century, the Netherlands captured most of the carrying trade. This led to friction with England, and under the Commonwealth the Dutch trade supremacy was challenged. The Dutch-English wars resulted. England was victorious, supplanted her rival, and emerged with a highly developed commercial system formulated in her Navigation Acts, which served as the basis of her policy till their repeal in the middle of the nineteenth century.

FRENCH AND ENGLISH MERCANTILE CONFLICTS

The mercantilistic policies of France and England from the time of Crom-

² Frank, Tenney, *Roman Imperialism*, pp. 90-91.

well and Colbert to the French Revolution more than a century later, had in them all the elements which today characterize the nationalistic tariffs and commercial policies of many of the postwar European states, especially the new ones, which see in tariffs and other measures for economic control, not only the accepted instruments for the building up of national industries, but a powerful stimulus to patriotism and nationalism as well.

The difficulties over commerce between England and the colonies is recognized by all historians of the period as a principal cause of the American Revolution. The efforts to enforce the Navigation System aroused much discontent in commercial centers and contributed greatly to the revolt of the colonists.

During the French Revolution and the Napoleonic era, the high tariffs and other measures adopted by the French, especially by the Convention and later by Napoleon, for the exclusion of English commerce were a major cause of England's prolonged struggle with France. True, there were other causes, such as the execution of Louis XVI and the excesses of the revolutionists; but in the last analysis, it was the French move upon the commercial port of Antwerp and the question of the grain trade that induced Pitt to enter the lists in 1793. Ten years later, after a truce of a year following the Peace of Amiens, the war was resumed because the French continued their restrictions on British commerce and extended their tariff barriers to the frontiers of the newly occupied area.

The commercial character of the issues of the Napoleonic wars are known to all students of European history. Napoleon's Berlin Decree, like that of Milan and others, was essentially a commercial measure excluding English goods from the Con-

tinental, while the Orders in Council were similar measures on the part of England to combat Napoleon's Continental System. Napoleon was determined to force the nation of "shopkeepers" to its knees by "smothering her under her own goods," to which he denied a market on the Continent. For an entire decade the conflict raged, marked by arbitrary decrees and orders issued to compel commerce to maneuver like a regiment. Of course, it could not be done. Not only did the rival governments issue licenses by the score to violate their own regulations, but clandestine methods and routes of trade developed to offset the arbitrary and artificial restrictions.

SEPARATION OF AUSTRIA FROM GERMANY

The most conspicuous illustration of the effect of tariffs on political history in the nineteenth century appears in the development of the unification of Germany. A comparison of the political boundaries of Germany as they were finally drawn in 1871 with those of the Prussian Customs Union, or *Zollverein*, shows that the two are identical. Austria, historically the oldest and the leading German state, refused to have anything to do with the Customs Union. As a result, when the political crisis came, the economic bonds, which had become steadily stronger between the other states of Germany, were absent in her case, and political isolation followed her economic isolation. Twenty-five states united to form the German Empire without Austria. The far-reaching importance of this upon later European history cannot be easily overestimated.

TARIFFS ALIENATE FRANCE AND ITALY

Sometimes tariff wars follow political combinations and alignments. An interesting example of this is seen in

the Franco-Italian relations after Italy's entry into the Triple Alliance. Italy's action was bitterly resented by France, despite the fact that France had annexed Tunis, which Italy regarded as distinctly within her sphere of influence. Toward the end of 1886, Italy renounced her commercial treaty with France and applied her new tariff rates to French imports. In February 1887, France retaliated by raising the rates against Italian imports, to which Italy replied by a further increase of duties on goods from France.

As a result, France and Italy found themselves hopelessly alienated by 1887. Italian commerce, and in particular the wine and silk trade, suffered heavy losses. What is more, the decade of virtual exclusion of Italian wines through high tariffs led the French to increase their own production, which, with the importation of Spanish and Portuguese wines, seems to have developed an adequate substitute for Italian wines, and closed the French market permanently to Italian wines on any large scale. Unwittingly, the French built up a supply independent of Italy, which is the kind of thing so many statesmen of the new Europe of today seem to think it necessary to do. It is the "infant industries" argument back of our tariff legislation. Europe began to copy it long before the Fordney-McCumber tariff and American competition led them to talk of a "United States of Europe."

PROTECTION ADOPTED THROUGHOUT EUROPE

In 1879, Bismarck, in urging his protective tariff before the *Reichstag*, declared that while England adhered to free trade she was alone in this, France, Austria, Russia, and the United States all being strongly protectionist. Germany, he claimed, must no longer

remain the dupe of an amiable error. He said:³

We have hitherto owing to our policy of the open door been the dumping-ground for the overproduction of other countries. It is this, in my opinion, that has depressed prices in Germany, that has prevented the growth of our industries, the development of our economic life. Let us but close the door, let us raise the somewhat higher barrier which I am now proposing, and see to it that at least we preserve for German industry the market which we are now good-naturedly allowing foreigners to exploit. . . . The fact is that our condition is unsatisfactory and, in my opinion, is worse than that of our protectionist neighbors. . . . For the abstract teachings of science in this connection I care not a straw. I base my opinion on experience, the experience of our time. I see that protectionist countries are prospering, that free-trade countries are retrograding and that great and powerful England, the mighty athlete, who, having hardened her sinews, stepped out into the open market and said, "Who will fight me? I am ready for any and all," even she is gradually returning toward protection, and will in a few years adopt it, in order to keep for herself at least the English market.

The adoption of the new tariff was in accord with the abandonment of the free trade policies inaugurated by Cobden and the Anglo-French treaty of 1860. In its place we have a return to high protection throughout the continent of Europe generally. As the rates rose higher and higher and the competition became keener, other means of fostering national industries and trade were developed with high tariffs as the basis. Through a highly organized system of cartels or trusts, rebates, favored shipping and freight rates, "dumping," and so forth, a systematic group, even national effort to sell goods in foreign markets was developed. The new economic system

³ Kohl, *Die politischen Reden des Fürsten Bismarck*, VIII, 11-32.

aroused anxiety and resentment, not only among competitors less favorably situated or semiofficially supported, but also in the countries where its influence was exercised.

COMMERCIAL EVILS DEVELOPED STRIFE

The evils of the system, and Germany's iniquities in connection with it, were loudly proclaimed during the World War. How much it had to do with bringing on the war, or rather with the development of those unfriendly relations which preceded and led to war, is difficult to estimate.

The bitter tariff war between Austria-Hungary and Serbia over Serbian pigs is well known to historians of prewar international relations. The prohibitive tariff imposed by Austria-Hungary in 1906 against Serbian pigs caused deep resentment in the little Slav state and helped greatly to arouse the agitation against the Dual Monarchy which later found expression in the activities of the society *Narodna Odbrana* and other Black Hand organizations. At least one well-known English writer regards the Serbian pig war as an important antecedent cause of the assassination at Sarajevo and thus an immediate cause of the outbreak of the great war.

During the World War, the control of industries and commerce proved to be, if not a determining factor in the victory of the Allies, at least one of the most important means towards that end.

From these examples drawn from European history before the World War, it is evident that tariffs may exercise deep and far-reaching effects upon political and international history. Writers in the field of international relations have drawn attention to the situation for many decades. In the first book on international organization ever written, the Parisian monk,

Emeric Crucé, early in the seventeenth century (1623) insisted upon freedom of trade and communications as a basis for international organization. An entire literature on the subject has grown up from the seventeenth century onward.

POSTWAR ECONOMIC RECONSTRUCTION

The treaty of Versailles and other postwar reconstruction measures departed completely from the idea expressed by Crucé. Instead, the treaties of Paris set up conditions calculated to breed more rather than less tariff and commercial troubles. The provisions of the treaties, as is well known, represent the apotheosis of nationalism. New states or political units were set up, which in a very short time developed new, and too often artificial, economic units. The customs units of Europe were increased from twenty in the prewar period to twenty-seven, and eleven thousand kilometers were added to Europe's economic boundaries. The political reorganization of the Continent effected at Paris was not only much more nationalistic than the old, but economically much less efficient. To the problems of adjusting economic life to the new political units, there was soon added the chaos of a depreciated currency, inflation, and the consequent instability of all commercial transactions. Particularism, national prejudice, hatreds, and jealousies increased the muddle and the waste.

What would be more natural than that the newly-established governments, like the old ones, should seek in the familiar expedient of tariff legislation and commerce control, the remedy for the difficulties that beset them? High tariffs and other restrictions on exports and imports became the order of the day. In many quarters, this seemed the only way of stopping depreciation, building up national in-

dustries, and making the country self-sufficient. It stimulated an abnormal expansion of industry not justified on a peace basis, and provided artificial but temporary employment for surplus labor. The inevitable result of this increased industrial capacity was a further attempt to reserve the home market for home production by still higher tariff barriers.

In many instances, also, the high tariffs were definitely adopted for bargaining purposes; frequently, however, the schedules remained after the bargaining had been done. Again and again, moreover, the exaggerated rates of what had been prepared as a *tarif de combat* were applied before the bargaining, to make the weapons more effective. At the same time, they brought about the growth of vested interest, which in turn fiercely combated reduction of duties. Super-protectionism developed, eagerly supported by the hundred per cent nationalists who professed to see in it the maintenance of key industries necessary for national existence.

EUROPE DISTRESSED BY TRADE BARRIERS

The result is an almost incredible economic condition on the European continent. Not only have trade barriers been raised to abnormal heights, but following the political boundaries established by the treaties, they often cut squarely across economically interdependent areas. The International Chamber of Commerce and the economic section of the League of Nations have repeatedly called attention to the "licenses, tariffs, and prohibitions" which have been imposed in order to defend the new frontiers. A searching analysis of the conditions made by a representative group of international financiers, bankers, and economists led to a vigorous protest in what is popu-

larly known as the "Bankers' Manifesto," issued in 1927. Commenting on the effect of the political reorganization, they say:

One state lost its supplies of cheap food, another its supplies of cheap manufactures, industry suffered for want of coal, factories for want of raw materials. Behind the customs barriers, new local industries were started with no real economic foundation, which could only be kept alive in the face of competition by raising the barriers higher still. Railway rates, dictated by political considerations, have made transit and freights difficult and costly. Prices have risen, artificial dearness has been created, production as a whole has been diminished. Credit is contracted and currency has depreciated. Too many states in pursuit of false ideals of national interest have imperiled their own welfare and lost sight of the common interests of the world by basing their commercial relations on the economic folly which treats all trading as a form of war.

Although quite unofficial, this statement merits serious consideration, for it carries all the weight of authority attached to the utterances of the leaders in international finance and trade, such as Montagu Norman, Governor of the Bank of England, Sir Arthur Balfour, Dr. Schacht, President of the German Reichsbank, J. P. Morgan, and others.

DANUBE NAVIGATION SERIOUSLY HANDICAPPED

A cursory glance at the interesting model of the tariff walls of Europe by Sir Clive Morrison-Bell reveals the impossible nature of postwar European tariff barriers. Almost any section of Europe will furnish realistic details on this score. According to the report on Danube navigation submitted to the Advisory and Technical Committee for Communications and Transit of the League of Nations in 1925,

a vessel could [before the war] proceed from Passau to Orsova, a distance of 1,272

kilometers, without passing a frontier. Delays from frontier formalities were negligible. Today, a vessel making such a voyage encounters formalities at seven frontiers: in Austria, in Czechoslovakia, in Hungary (both entering and leaving), in the S. H. S. State⁴ (both upon entering and leaving), and in addition it must go through the Roumanian Customs and police formalities at Orsova.

In the aggregate, these delays, to the extent that they are avoidable, constitute a serious economic waste of shipping, diminish the utilization of the Danube, and operate prejudicially upon the navigation companies and upon their clients. During these delays, tugs must be kept under steam, the crews of tugs and barges must be paid, and the entire material remains unproductive. On the basis of the total traffic on the river for 1924 and allowing three hours at each frontier, a calculation seems to indicate that there was a loss to the barges alone of not less than sixty thousand barge hours, or five thousand barge days on account of formalities, with corresponding loss of tug hours and tug days, to say nothing of the financial burdens of fees, taxes, cost of customs and police convoys, and so forth. All of these matters represent a handicap upon Danube navigation which was largely if not wholly nonexistent before the war.

All this is, of course, in spite of the accepted sanity of President Wilson's demand, in the second of his Fourteen Points, for the gradual removal of economic barriers. The efforts of the League's Economic Commission to find a way out of the muddle have failed utterly. The enormity of the situation is brought out further by the statement, referred to above, of prominent bankers, financiers, and industrialists from sixteen countries including the United States, on international trade

⁴ Yugoslavia.

relations. In their conclusion they stress the absolute necessity of breaking down the tariff barriers of present-day Europe if prosperity is to be restored. Proceeding on the basis that there can be no recovery in Europe until all territories, old and new, realize that trade is not war but a process of exchange, that in time of peace our neighbors are our customers and that their prosperity is a condition to our own well-being,

they declare that present evils, unless abated, bid fair to strangle the economic life of the continent altogether.

ECONOMIC CONFERENCE MEETS OBSTACLES

In 1927, the World Economic Conference announced that "the time had come to bring an end to the increase in tariffs and to move in the opposite direction." The assembly of the League, greatly stimulated by Briand's advocacy of a "United States of Europe," summoned a new Economic Conference in 1929 for the spring of 1930. Delegates from the countries met during February and March of this year. The Conference found no difficulty in giving its support to incidental reforms, such as the project to simplify and unify tariff classification and nomenclature, but on the major issue of a tariff truce for two years it encountered insuperable obstacles.

In the first place, the new states, such as Czechoslovakia and Poland, opposed the tariff policy because it might interrupt the process of their industrial upbuilding. Even the agricultural states, such as Hungary, Rumania, and Finland, looked askance at the plan which would result in prolonging their dependence upon industrial powers. Finally, France and Italy were hostile, both preferring the present general unstable condition, buttressed, so far as they are concerned, by favorable bilateral commercial treat-

ties, to the stabilization of customs duties which might deprive them of certain advantages. The growth and the expansion of their large industries must not be jeopardized in any way.

As a result, an alternative proposal was adopted, much less drastic, applicable for one year, subject to denunciation, and accepting the bilateral treaties. A commercial convention for a year's truce based on the French formula was duly drawn and submitted to the Conference on March 14th.

The emasculated convention, after long and hotly contested argument,

was finally approved, subject to later ratification by the signatory powers, on March 24. Eleven states signed the commercial convention for a year's truce, fifteen the protocol concerning future negotiations, and seventeen the final act.⁵

The upshot of this five weeks' conference shows beyond dispute that many of the European nations are not yet ready even to consider the *Zollverein*, or Customs Union, which would be a necessary preliminary to any "United States of Europe" worthy of that grandiloquent name. The Conference has, therefore, demonstrated that all political or literary oratory on the subject is to be severely discounted until a more definite lead is given by the big European industrialists, whose interests seem to lie in the direction of limited international trustification rather than any general economic federation.⁶

Despite this, M. Briand continues to plead for a United States of Europe, and it may come about that the dream of the idealist, which is after all based on the hard facts of economic necessity,

⁵ "The eleven states signing the convention were: Austria, Belgium, Britain, Estonia, Finland, France, Germany, Italy, Luxemburg, the Netherlands, and Switzerland. The protocol was signed by the above eleven and Greece, Latvia, Lithuania, and Portugal. The final act was signed by all fifteen above, plus Denmark and Sweden."

⁶ Morley, Felix, "The Disunited States of Europe," *League of Nations News*, April, 1930.

may triumph over the opposition of the nationalists and the high protectionists.

UNITED STATES TARIFFS CLOUD THE SITUATION

Unhappily, our own example is having a most unfortunate effect in Europe. The Fordney-McCumber tariff was high, but the discussions of the new tariff indicate even higher rates. The result is inevitable. Already, the disposition to retaliate against our rates has made its appearance in many European countries. Added to the misconceptions of our attitude in the matter of war debts, our tariff policy is creating distrust and fear, and may lead to a tariff war.

Tariffs, like taxes, will always be with us, say the nationalists. Whether we agree or not, it is clear that there is a close connection between tariffs and nationalism, and that they contribute in a greater or less degree to the atmosphere of unrest in which lurks the danger of wars. Furthermore, politics are today so intimately intertwined with economic life and organization that it is impossible to separate them. Indeed, as the tendency of states to take over business enterprises grows, the relationship of economic and political power is becoming steadily closer and more intricate.

In the face of these developments, it is clear that tariff problems and the question of commerce control can no longer be adequately solved purely on a business basis. Their solution calls for the combined efforts of economists, financiers, and statesmen. The super-nationalism of the past must yield to the more practical needs of the people and to an appreciation of the fact that applied science is gradually unifying the world in entire disregard of political frontiers. Happily, business groups and scientific bodies like the League of

Nations Economic Commission, as well as the foreign trade department of many governments, are studying the problems from this angle, and the prospect for some sort of arrangement

or formula for the solution of Europe's tariff difficulties on the broader principles of international needs may not be so remote as the experience of the past would indicate.

Current Trends in Foreign Commercial Policy

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I. RENEWED UNSETTLEMENT IN TRADE CONTROL ATTITUDES

AFTER several years of apparent progress on the part of many foreign countries toward a greater degree of stabilization of tariffs and liberalization of commercial policy, recent months appear to have brought a marked set-back to that movement. Generally speaking, tariffs and commercial policy abroad, especially in Europe, are now again in a state of considerable unsettlement and tension. In the British Empire, the stirrings in the field of commercial policy have been concerned only partly with the nationalistic program of each area. There is an even greater stirring around the large question of Empire Preferences, and the degree to which the parts of the Empire might well be economically related.

The countries of Latin America, on the other hand, dealing less with each other than with overseas countries, are pursuing their independent way with relatively little urging to common programs and policies, excepting in the more routine, yet important, aspects of the expedition of foreign trade.

Among the countries of the Orient, by contrast, the most significant feature of recent years has been the strikingly common surge toward the attainment of autonomy, in tariff as in other matters, by countries which have long been under the tutelage of the Western Powers.

Viewing broadly the streams of events and tendencies in foreign countries, two distinctly opposite currents seem today to be contending for domi-

nance. One is in the direction of more liberal governmental attitude toward the movement of trade in and out of the country's territory, and the other toward a more restrictive attitude. This unsettlement appears to be particularly marked on the continent of Europe, where tariffs and commercial policies matter most.

EARLIER TREND TOWARD MODERATION

On the one hand, there is the spirit of moderation and accommodation that led to the convening of the World Economic Conference in 1927 and gave courageous tenor to its deliberations and recommendations. This is the spirit that appears to have led to a gradual slowing down of tariff revisions since 1927, and that has been largely responsible for the gradual removal, over the last few years, of many of the import and export restrictions and other artificial controls upon international trade that had marked the post-war régime of many countries, particularly of Europe.

Just to name the brilliant galaxy of conferences that marked the period between 1927 and 1929 is impressive. In May, 1927, there was held at Geneva the World Economic Conference, a gathering the like of which in the economic field has probably been unequaled in our generation, in the breadth and scope of its deliberations, and in the ability of its participants. Its general conclusions and recommendations received the indorsement of representative world commercial opinion the very next month, at the

Stockholm Congress of the International Chamber of Commerce.

These recommendations of the World Economic Conference have since come to be regarded as the Magna Charta of liberal principles and forward-looking projects in many economic fields, and particularly in the field of commercial policy.

At about the same time, there was held at Washington the Third Pan-American Commercial Conference, which gave prominent place on its program to the subject of barriers to inter-American trade. Growing out of the resolutions and the recommendations of this conference, two commissions of experts from the American republics have since met to work out practical standards and procedures with regard to certain concrete aspects of the conditions of trading among these countries. I refer to the Pan-American Commission on Simplification and Standardization of Consular Procedure, which met in Washington in October, 1927, and the similar Pan-American Commission on Customs Regulations and Port Formalities, which met last fall. Of the specific recommendations of these Pan-American conferences, mention will be made later.

PASSING OF TRADE RESTRICTIONS

In the spirit of progressive endeavor stimulated by the World Economic Conference of 1927, the representatives of thirty-odd countries who were gathered at Geneva the next fall to consider a possible agreement for the abolition of import and export prohibitions and restrictions seemed impelled by a desire to give concrete evidence of their adherence to the standards recommended by the World Economic Conference. Despite many difficulties in reconciling the positions of the different countries, their efforts may be

said to have already borne fruit, with the possibilities of even greater results as soon as two additional countries can see their way clear to joining and making the agreement permanent. One of the special agreements there worked out brought into actual operation on October 1, 1929, when seventeen countries of Europe ratified and brought into effect an obligation to abolish all restrictions on the exportation of hides and skins and of bones, supplemented by an undertaking for the removal or limitation of export duties on these products.

Under the major convention for the abolition of import and export restrictions, which has been declared provisionally in effect from January 1, 1930, the twenty-odd participating countries—including the principal nations of Europe as well as the United States and Japan—undertake to abolish as between each other all prohibitions of an economic character on imports or exports, other than those specially recognized or excepted in the convention, within a period of six months from the date of its coming into force. The restrictions of this character still maintained in the various countries affect a wide range of producers, from the growers of prunes to the manufacturers of automobiles. Incidentally, it is clearly understood that this agreement does not affect the tariff systems or the treaty-making methods of any of the contracting countries.

When finally operative, this convention is expected to result in a material liberation of international trading from what has come to be recognized as one of the worst forms of artificial trade barriers. Its value lies not only in the abolition of various economic restrictions still existing in any of the contracting countries—whether in the form of special licensing requirements, quotas, or other controls

on foreign trade—but also in the assurance thus established against the reimposition by these countries of what is being thus condemned as a disapproved device for the control of commerce.

This series of conferences has been notable not only as occasions for joint consultation on problems and overhauls of standards with a thoroughness seldom before shown, but also for the concrete manifestation of a growing recognition that the prosperity and the general welfare of all countries would be advanced by the adoption of simpler and more liberal measures to govern the flow of trade between them, and that there is much to be gained from common standards and practices.

OTHER MODERATING INFLUENCES

Operating in the same direction, although not prompted by the same motives, has been the abandonment of a number of the major attempts to control the supply or the price of raw materials on a large scale. I refer particularly to the termination of the rubber restriction scheme in the British East Indies in 1928 and to the recent agreement by Brazil to liquidate her coffee "valorization" holdings.

The growth in Europe of what is commonly referred to as "the cartel movement"—including the international industrial agreements of various sorts as well as the industrial combinations that have been more common recently—may also be regarded as among the moderating influences. While they are not proving as successful as their sponsors had hoped, these cartels or combinations have at least served to suspend the operation of the tariff barriers on the products involved between the countries represented in the particular agreements, and to keep the duties largely unchanged as against outside countries.

Finally, it was the same spirit that apparently prompted the original enthusiastic reception of the idea of working toward a United States of Europe, or at least a tariff truce. As we shall later see, however, the ill-fated truce conference revealed the deeper and apparently controlling currents in the various countries to be running in the opposite direction.

RECENT INTENSIFICATION OF ECONOMIC NATIONALISM

Within recent months there has been manifested a distinct counter-current in foreign commercial policy. In country after country, there are evidences of a new intensification of the spirit of economic nationalism. It is expressing itself widely in demands for higher duties and other measures that would reserve the home market more exclusively for the domestic producers, often with the aim of making the country ultimately independent of all imports of the particular commodities. There is being evinced in many countries a firmer assertiveness on the part of domestic interests before their Governments against measures contemplated to facilitate the flow of trade from abroad and against international agreements for concerted action in these matters—steps which the broad political and commercial leaders of many countries had come to recognize as necessary to general economic health and progress.

The relatively depressed condition of the agricultural producers in a number of countries for some time past—resulting partly from that very expansion and abundance of production that had been so eagerly sought—and the distinct recession of prices, employment, and general business activity that has spread over a good many countries since last fall, have doubtless been important factors in widely reviving

the latent spirit of economic nationalism, and in giving poignancy to the urgings for special measures to check imports by any devices available.

Since last summer, there have been extensions of old schemes and a burst of new measures in many countries, notably certain European countries, to assist in the disposal in other markets of the surpluses with which they are burdened, particularly of agricultural products,—frequently at prices below those in the home market, and in some cases under the stimulus of various plans amounting to export bounties. These have doubtless increased the strain of international competition, with a distinctly unsettling influence upon the normal trend of trade expectations and consequently

upon commercial policy. This unsettling influence has reached out and affected also many producing countries outside of Europe, so thoroughly are modern conditions and facilities for transportation and communication making of the world one large economic area.

The above broad characterization of current tendencies in foreign commercial policy must not be interpreted as applying universally. No single characterization can adequately describe the situation in the over one hundred and fifty areas having individual tariff jurisdictions. To obtain a more concrete picture of the trends of commercial policy, it will be necessary to take a series of closer views, focusing in brief succession upon each of the continents or groups of related countries.

II. TRENDS OF COMMERCIAL POLICY IN EUROPE

The trends of commercial policy of the European countries are without doubt of the greatest concern and interest to the United States. And well they may be.

EUROPE NERVE CENTER OF COMMERCIAL POLICY PROBLEMS

Despite the growing importance of Canada and Latin America among the markets for American products, and the increasing prominence of Latin America and the Orient as the sources of our importations, Europe is still of first importance in American foreign trade. It has taken on an average about one half of our exports during the last few years, and has supplied us with nearly one third of our imports. But aside from the relatively important place of European countries measured by volume of our trade interest, there is the basic fact that most of the current problems in foreign commercial policy find their focus among the older

countries of Europe—arising from their competition among themselves and with our producers, both in their own territories and in common export markets.

When one speaks of the commercial policy of continental Europe, one needs to envisage an area not much larger than that of the United States, broken up fiscally into twenty-six different countries, each with its separate tariff boundaries and systems, each country closely impinging and dependent upon the other, and most of them with a traditional commercial policy and complex of regulations on trade that have had their origin sometimes in political rather than economic considerations.¹ In many parts of

¹ In considering continental Europe, Turkey and Russia have here been intentionally excluded; Turkey, because of the definite efforts made by her leaders to retire to Angora and regard their country as primarily an Asiatic power; and Russia, because of her exceptional method of control of foreign trade, as part of her unique

Europe, the present tariff and commercial policy is still in a state of only provisional adjustment to the political and economic realignments resulting from the World War. There is consequently a degree of instability and frequency of change in trade control measures that is not found in any other continent.

Moreover, the complicated network of political and commercial relations built up by the various European countries over generations—with each other, with their overseas colonies, and with the other independent nations of the world—makes Europe distinctly the nerve center of the world in the field of commercial policy. It will therefore be necessary to give somewhat fuller consideration to the development and the trends of the commercial policy of Europe during recent years than of the other continents.

LIQUIDATING WAR HERITAGE OF TRADE RESTRICTION

One of the unfortunate heritages left to most countries of Europe by the World War was the system whereby the movement of goods in and out of their territories was subject to governmental restriction of various types. In some cases, there was the requirement for obtaining a license for each individual import or export transaction. In other cases, there were exchange restrictions upon the obtaining of credits for the settlement of foreign obligations. Again, not infrequently, absolute prohibitions were imposed on the importation or the exportation of specified classes of goods.

general economic experiment, through government monopoly—which obviously does not afford any common basis with the rest of continental Europe for consideration of commercial policy problems.

SLOW PROGRESS IN CENTRAL AND EASTERN EUROPE

In most countries of Western Europe, these governmental restrictions were gradually relaxed within a few years after the war. Central and Eastern Europe, however, had suffered partition of territory and the most severe economic dislocation. Moreover, a number of new national entities had been here created, which had the additional problems of working out something approaching a balanced economic structure, adapted to the new boundaries and economic conditions, and of attaining a fair degree of stability in their national budgets and in the value of their national currencies. All these factors have complicated the situation immensely, and it was not until a few years ago that any material progress was made, east of the Rhine and the Alps, toward the relaxation of the artificial and fluctuating controls upon the exchange of goods with other countries.

What was probably the turning point occurred in late 1925, when Germany, after stabilizing her currency, abolished her import and export licensing régime, which since the war had been so prominent a feature of the conditions of doing business with that country as to have made the tariff duties in most cases of secondary consequence. To a less complete extent was there a moderation, about the same time, of the restrictions on trading with Hungary, Austria, and Czechoslovakia. In the last two countries, however, as well as in a number of countries of Eastern and Southeastern Europe, important restrictions persisted, some of which are still in operation.

With the attainment of increased stabilization in internal economic conditions and wider recognition of the

long-range unwisdom of such measures, there developed a greater readiness to withdraw these arbitrary restrictions on foreign trade, which found its climax in the international convention on the subject, already discussed, which came provisionally into force as of January first of this year.

While more than the necessary eighteen ratifications were secured, a number of the countries made their ratification conditional upon similar action by certain other countries, and thus far two of these contingent countries—Czechoslovakia and Poland—have not found it possible to ratify. The conditions that have held them back have been largely eased in the last few months, and it is hoped that these two countries will be able to ratify by the end of the period set (May 30, 1930) and thus bring the convention permanently into operation; otherwise, it may be that some of the ratifying countries will feel warranted in withdrawing from the convention altogether.²

TREND IN EUROPEAN TARIFF REVISIONS

After the great unsettlement of the wartime and postwar periods, it was to be expected that fairly general revisions or overhauls of the tariffs of different countries of Europe would be made, and in some cases several successive attempts at overhauls. Nor is it surprising that the general need of governments for increased revenue, joined with the strongly intensified desire among the various nations to foster new industries as well as to protect those already established within their boundaries, should express itself in the

embodiment of generally higher duties in the new European tariffs than in the old.

The last few years have, however, seen a decrease in the number of such revisions. Thus, the years 1925 and 1926 witnessed general revisions or material tariff alterations in sixteen countries of Europe; 1927 saw ten; the year 1928 saw a material falling off, with only five revisions, while 1929 witnessed general tariff overhauls on the part of only two countries of Europe.

Until about a year ago, most European countries gave their major attention, in providing for additional tariff protection, to their various industrial activities, new and old. Consideration for the agricultural producers took the form, in most cases, of the restoration—at perhaps somewhat higher levels—of the prewar duties on cereals, meats, and other food products. In many of the continental countries these had been either reduced or entirely suspended during the immediate postwar years, when the population's need for foodstuffs at low prices was urgent and domestic production was still in the process of rehabilitation.

The past year or so has, however, been marked by particular attention to farm products in the tariffs and the trade control legislation of a good many of the European countries, especially those of Central and Eastern Europe. This probably reflects the widespread condition of agricultural overproduction and the earnest concern that is felt by many governments over the relatively disadvantageous position of their agrarian population. The efforts to ameliorate the situation have taken various forms in the different countries, and a variety of exceptional devices for the control and the stimulation of trade in agricultural products is being tried out.

² Both Czechoslovakia and Poland officially requested through the League, toward the end of May, that this period be extended for several weeks to allow of their ratifications being carried through their respective governmental channels.

RECENT MEASURES BY GERMANY ILLUSTRATIVE

Germany has recently carried through a policy of agrarian protectionism, as a measure of general farm relief, with probably greater thoroughness than any other European country. Its measures in this field during the past year or so might well illustrate the range of measures and devices for this purpose that are being experimented with by foreign countries generally. The German import duties on cereals, meats, and other farm products have been changed several times since the summer of 1929, and each time upward. In order to be free to carry through these measures, the German Government even went so far as to denounce some of her commercial treaties. In addition, special efforts have been made to stimulate the profitable exportation of grains and other farm products from the eastern provinces of Germany by the expanded use of the old import certificate system. On sugar, a sliding scale of duties was established last year, and an increase in the basic duty has recently been ordered. Quite recently also the German Government has been authorized to modify, within its discretion, the import duties on wheat and rye in accordance with the fluctuations in current market prices. Within the past month a corn monopoly was established, placing under Government control the exclusive distribution of imported and domestic corn.

PROGRESS THROUGH COMMERCIAL TREATY MAKING

The period since 1927 has been marked by a particularly large number of commercial treaties and agreements among the various European countries and with their trading countries across the seas. For a time, many of these

treaties were marked by what in continental Europe had come to be regarded as an essential part of a commercial treaty, namely, reductions in the basic or general tariff duties, on selected lists of products of particular interest to the other contracting country, or at least conventionalization of certain duties, which "bound" the particular countries not to increase them during the life of the agreement. The fact that the majority of these treaties have been for relatively short periods, usually one year, subject to extension, shows the sense of instability of the times. Prewar treaties were for long terms, most often for ten years.

The most significant feature of the treaties of the last few years has been the apparently definite reestablishment of the unconditional most-favored-nation clause as the essential governing principle in international trading relations. In this respect, the recommendation of the World Economic Conference doubtless had its influence. Even Spain and France, who for a time insisted upon special concessions in their treaty-making, have since announced their definite intention of going back to the time-honored policy. There is thus being restored the assurance, which was fairly general before the war, that treaty countries would be on a basis of equality in competing for the supplying of import requirements of common markets, with the benefit of any later concessions in duty to third countries being extended to each other automatically and without additional compensation.

The commercial treaties negotiated during the last few years have also contained, with increasing frequency, auxiliary provisions granting broader assurance than had hitherto been common, with regard to the liberal treatment of each other's trade. Particularly noteworthy have been the

undertakings to grant most-favored-nation treatment in matters of import and export restrictions—an aspect of trade control that for some time had been considered as exceptional and excluded from the claims of third countries. In an increasing number of treaties, there is a definite exchange of promises not to obstruct the trade between the two countries through the imposition of any prohibitions or special restrictions on their imports or exports, beyond those for the purpose of public safety, health, protection of plants and animals, and the like, which are generally excepted.

The propriety of indirect trade has also been recognized in a number of recent treaties. This marks a tempering of that extreme nationalistic position taken by several countries shortly after the war, when they denied the benefit of conventional duties or import licenses to which goods were entitled by their origin, if they arrived indirectly from one of the old commercial distributing centers such as London, Antwerp, Copenhagen, Hamburg, Vienna, or Trieste. They attempted thereby to force foreigners into direct commercial relations with their own merchants, or into the establishment of local agencies, when local commercial conditions or considerations of economical distribution did not warrant such steps.

Examination of the European commercial treaties of the past year or so finds that the granting of tariff concessions in the course of these treaties has been less frequent than in earlier years. The process of reduction or "binding" (conventionalization) of duties among the countries of Europe has been going on for a number of years, and it is not unlikely that the original tariff schedule has in most cases been brought to the level that the governments consider approximately their

indispensable minimum. Whether for this reason, or because of the increasingly general adoption of the broad most-favored-nation or tariff-equality principle, the fact that the possibilities of reduction of European duties through tariff agreements were about exhausting themselves is important.

EFFORTS AT CONCERTED TARIFF ACTION

By 1929, many European statesmen and economists became concerned over the fact that relatively little had been accomplished toward the moderating of tariff barriers to the movement of goods between various parts of Europe through the process of bilateral tariff treaties. There certainly seemed little hope of much reduction of duties by autonomous action of individual countries, although changes downward were more frequently observed in the course of tariff revisions of 1928 and 1929 than during the years immediately preceding. Momentum grew for the idea of exploring the possibilities of tariff moderation by collective action, whereby many nations were to consult together and act more or less simultaneously. The proposal took various forms.

Some British publicists were inclined to the idea of an international tariff holiday, during which no increases in the existing duties were to be made. Others urged all-around horizontal reductions of protective duties, the percentage of reduction to vary with the initial height of the duties of each country. Students of the problem on the Continent, particularly in France, were inclined to favor what they called the "progressive demobilization of tariffs." They proposed taking up the consideration of a succession of individual commodities (like aluminum, or cement, or leather), or classes of commodities (like wood products, or

agricultural implements), and endeavoring to secure international agreement among as large a number of countries as possible for simultaneous reduction of the duties on those commodities to agreed given maxima. Some studies of the latter sort were initiated by the Economic Committee of the League, but they bore no fruit.

THE "UNITED STATES OF EUROPE"

While these proposals were being discussed, M. Briand, Foreign Minister of France, apparently impressed that particularly among the countries of Europe was there need for some radical measures for facilitating the movement of goods, judged that the time was possibly ripe for a bold stroke toward an economic federation among the European states. Hitherto mainly of theoretic interest, and rather discounted by all but the idealists of the Pan-Europa group, an attempt was now made to bring this project into the realm of practical consideration by putting it before the representatives of the nations at the League Assembly of September, 1929.

The objective of what is sometimes loosely referred to as the proposal for a "United States of Europe" is the gradual removal or scaling down of the many customs barriers now dividing the European continent, and the establishment of, as nearly as possible, one large, unobstructed economic area.

The leaders of the movement regard this program as essential to the economic health and progress of Europe as a whole, particularly under the changed conditions of modern competition. They declare the scaling down of European tariff walls to be the indispensable condition for the effective development of large-scale production in Europe, pointing out its dependence upon having a large consuming popula-

tion within the producers' assured market area, so that goods originating in any part of the area can move over the whole of it with considerable freedom from tariff hindrance. Their objective and the organization envisaged seem obviously patterned on the lines which are regarded as having been largely responsible for the remarkable economic progress and prosperity of the United States.

PRACTICAL OBSTACLES TO EUROPEAN CUSTOMS UNION

The political as well as the economic difficulties in the way of actual consummation of any plan for a European customs union, even on a limited scale, soon became apparent from examination of the various projects to that end which made their appearance from different directions. There were the basic questions of how any such scheme could be operated without requiring closer political as well as economic relations between the various countries, and the serious doubts as to the feasibility of expecting countries in different stages of industrial advancement and with widely-varying standards of productive efficiency as well as different standards of living to enter such a union upon an equal basis. Moreover, the scheme fairly bristled with incidental questions:

Should England be included within the scope of this union? If so, what should be its relation to the British Empire? What about Russia? How could the countries outside of Europe, such as Canada, the United States, Argentina, and Japan, be denied the benefits of the reduction or waiver of duties as between the European countries, in view of the most-favored-nation obligations to them on the part of individual states under the existing treaties?

A considerable element of conti-

mental opinion was ready to urge that any tariff concessions exchanged in the course of a multilateral agreement should not be subject to claim by countries outside this agreement under their most-favored-nation treaties with any of the participants. The immediate conflict between the tariff discrimination implied in such a plan and the generally accepted equality theory under the most-favored-nation clause, revealed how radical was the scheme that was being proposed.

THE TARIFF TRUCE CONFERENCE

With the actual attainment of such an economic federation of European states soon recognized as at best only an ultimate possibility, the League Assembly recommended, as a first practical measure, that an effort be made to secure the agreement of the nations to suspend any further changing of tariffs for a period of a few years. The thought was that, if even a short period of stability could be obtained, there would be gained a breathing-space during which plans for future steps toward mutual moderation of tariff barriers might be worked out.

February 17, 1930 was set as the opening date of the international conference to consider such a tariff truce. However, as the question of participation in such an agreement came to be discussed by producers and business men within the various countries, it was apparent that in their enthusiasm, the shepherds had gotten out of sight of their flocks. Organized business, as reflected through the chambers of commerce of England, France, Germany, and elsewhere on the Continent, soon made it clear to the governments that its needs and desires had not been carefully considered when the project for an agreement had been launched at the League Assembly last September. The declared purpose of the conference

was then hastily changed, and was officially designated as "a preliminary conference with a view to concerted economic action."

The conference sat at Geneva for five weeks, during which it early became clear that not only was there a radical divergence in the interests and the needs of the agricultural countries of Eastern Europe from those of the more industrialized countries in the west of Europe, but there were also wide differences in the readiness of the countries even of Western Europe to bind themselves not to change their existing tariff schedules for so much as a year. Mr. Graham, President of the British Board of Trade, and M. Hyman, Foreign Minister of Belgium, earnestly plead for a tariff truce, but received only minority support, mainly from Northern European countries. France, Italy, and Spain were distinctly opposed, or at least unready, while the agricultural countries of Eastern Europe were primarily interested in some special arrangement for assuring the disposal of their surplus grains and other farm products in the other European countries which are on an import basis in foodstuffs.

The most to which the agreement of any substantial number of countries could be secured was not to denounce, for a trial period of one year, the tariff duties bound by any existing commercial treaties with other participating countries. Countries which do not bind their tariff duties by treaties obligate themselves not to increase their statutory duties for the same period. A "commercial convention" to that effect, limited by exceptions and qualifications, and described in the Final Act as a "first stage in the direction of economic coöperation in Europe," was signed on March 25 by the representatives of eleven countries, namely, Austria, Belgium, Estonia, Finland,

France, Germany, Great Britain, Italy, Luxembourg, the Netherlands, and Switzerland. Seven additional countries have since signed—Denmark, Greece, Latvia, Norway, Poland, Rumania, and Sweden—making a total of eighteen countries, all of them European.

The agreement is to become effective only if ratified before November first by an agreed list of twelve countries. Any signing country may consider tariff increases before the end of the year by giving two months' notice to the other contracting parties. If no agreement is reached by consultation within those two months, either state may denounce the convention, which then allows others the similar privilege of denunciation upon one month's notice.

PLANS FOR FUTURE NEGOTIATIONS

The above eighteen signatory countries, plus five of the eight non-signatory European countries (excluding from consideration Russia and Turkey), signed the second document resulting from the conference—a protocol outlining the scope of the problems and objectives for future negotiations and establishing a flexible program of procedure to be developed as circumstances warrant. This program for future negotiations is regarded by some as holding forth greater promise of definite benefits than the convention itself. The questionnaire to which each of the twenty-three countries signing the protocol is required to reply, as a basis of the program for future negotiations to be developed by the League, is marked by the overshadowing importance of overproduction among the problems most perplexing the various European countries at present in their endeavors to plan for their future foreign trade or their commercial policy to govern it. The questionnaire follows:—

A

- (a) In what agricultural products is there overproduction in each country?
- (b) What are the normal outlets for these products?
- (c) What practical means can be employed to ensure the disposal and distribution of surplus production in the normal markets and in other countries with an insufficient production?

B

What practical means can be employed to facilitate the disposal of manufactured products, particularly in the direction of increasing the extent to which it is possible for consuming countries to purchase them?

C

In particular, what are, in the case of products mentioned in A and B above, the customs and administrative measures which seem likely to promote the extension of markets and the improvement of international trade?

(In order to facilitate the preparation of a practicable programme of preliminary negotiations, it is desirable that, in the first instance, so far as tariffs are concerned, mention should only be made in detail of those modifications to which the most importance is attached.)

D

What practical means can be employed to ensure the movement of European raw materials³ amongst the different countries under more satisfactory conditions and their better utilisation?

It is fairly generally admitted that the convention itself regarding the increase of existing duties does not have any very substantial or binding value, since it is subject to so many qualifications and can so readily be upset by the action of any participating country. Some critics doubt whether it can survive the stress and strain of the politi-

³ "Raw materials" is the official translation of the French *matières premières* which is obviously intended to cover all primary or natural products. H. C.

cal and economic currents within the various countries even for a year.

Even the most critical, however, will probably agree that the conference has had value in several ways. It has cleared the ground of theoretical proposals and simply well-sounding expressions of generous sentiment; instead, there has been revealed the actual position, desire, and intention of various countries in this very vital field of the control of their trade relations. These discussions have probably left behind a moral hindrance to the continuation of unlimited competition in tariff-making among the European countries.

Finally, since Europe trades mostly with Europe, the emphasis of European economic interdependence should foster a stronger sense of solidarity, and thus form a practical starting point for future efforts toward concerted economic action among the countries of Europe, or any group of them. Because the future projects are likely to be more sober and less ambitious, the prospects of progress are probably greater.

REACTION STIMULATED BY AMBITIOUS PROGRAM?

Looking backward over the developments in this field since last summer, there are those who believe that the very launching of this laudable proposal for steps toward an economic federation of Europe operated to bring to the surface the counter-current of extreme nationalistic commercial policy that now appears to mark the situation. They point out that a definite setback was probably given to the slowly strengthening current toward more liberal commercial policy in Europe by the precipitous manner in which a definite decision on the part of various countries was forced.

It is urged that efforts should first

have been made carefully to explore the ground, to see how far the postwar adjustments in the various countries had actually been liquidated and taken account of in the commercial policy of the country, and to obtain a sober estimate as to how far current economic conditions and the popular state of mind in the various countries of Europe would allow the governments to proceed in this direction. Some believe that the very suddenness and the ambitious scope of the proposal may have served to consolidate the fears of too drastic action on the part of producing groups in various countries into a stiffened attitude, not alone against any further liberal steps but for positive measures of additional safeguard.

The fact that this conference came at a time when pressure was being felt from large surpluses of agricultural crops, and when the reaction from the over expanded industrial and financial operations had resulted in at least a temporary depression in prices and employment, doubtless increased the difficulties to be overcome in working toward agreement upon more liberal attitudes toward foreign trade at the present time.

EVENTS OF YEAR AHEAD SIGNIFICANT

All these factors taken together seem at least to have brought to light—if not precipitated—the state of unsettlement and tension in European policy which I have earlier ventured to present as characterizing the present situation. At the turn of the year 1930, at least nine of the countries of Europe were understood to have in process, or under consideration, fairly material modifications of their customs tariff. The majority of these were probably planned to come through within the next year—in other words,

during this very period for which the effort is being made at least to stabilize existing duties from being advanced.

The extent to which these proposed tariff modifications will now be withdrawn, postponed, or moderated, will afford a valuable indication of the seriousness with which the eighteen countries of Europe who signed the

recent Geneva convention regard that agreement. Or, to view the situation possibly more fairly, their action during the next year will show the extent to which domestic economic conditions or internal political exigencies can allow these countries to shape their tariff policies in accordance with the spirit and the objectives of the recent Geneva convention.⁴

III. TRENDS OF COMMERCIAL POLICY IN THE BRITISH EMPIRE

Considering together the far-flung areas of the British Empire, and including Great Britain here as the head of the British family, although in many ways tied up with Europe, these British areas form the second largest group of buyers of American products. In fact, Great Britain and Canada are the leading single markets for the United States, and together take about one third of our exports, or more than all of Continental Europe put together. The commercial policy of the British areas is of much concern to Americans not only because of the volume of the trade involved, but because of the exceedingly wide range of producers in the United States who look to Canada and England as the natural first out-side markets.

BRITISH TRADE POLICIES IMPORTANT TO AMERICANS

While closely united by political, historic, sentimental, and, in most cases, racial ties, the various parts of

the British Empire are by no means united in matters of commercial policy. Differences of location, resources, and stage of economic advancement have resulted in a great variety in the tariff and trade control policies within the Empire, in accordance with the particular need and interest of each of the autonomous Dominions and, fiscally, almost autonomous colonies.

The Dominions in particular appear to be impressed that, as relatively new and largely undeveloped countries with considerable natural resources, it is to their advantage and interest to follow a tariff policy designed to foster and protect every effort toward the industrial development of their territories. The larger British areas, notably Canada and Australia, have made considerable strides toward industrialization. They seem to be intent on maintaining their policy of protecting the lines of manufacture already developed, and, if possible, extending

economic objectives in mind, is recognition of the difficulty of attempting the task of a European customs union or even a tariff truce, under the present weak state of European political coöperation.

The attainment of this French proposal is recognized, even by its sponsors, as so distinctly a matter of only ultimate possibility of consummation, that it need hardly be considered further in connection with this discussion of the more immediate currents in European commercial policy.

⁴ On May 17, 1930, since the above address was delivered, the French Government presented to the other European states what is termed a "Memorandum on the Organization of a Régime of European Federal Union," promised by M. Briand at the League Assembly the preceding September. The fact that the scheme now presented calls for the creation of a political federation or organization among the European states, however loose, as the indispensable mechanism to the accomplishment of the eco-

them; although Canada has followed a rather moderate tariff policy during the past decade, particularly in comparison with Australia. It would be hard to conceive any circumstances under which the Dominions would be ready to give products of other British areas unlimited access to their markets.

GROWTH OF BRITISH PREFERENTIAL MOVEMENT

Most of the Dominions and many of the colonies have shown a readiness to give preference to British over foreign products. The tide of the movement for preferential duties within the British Empire has been increasing in breadth and intensity during recent years. Each year has seen new preferential duties established in this or that part of the British Empire, and almost every tariff revision of the last few years in those British areas granting any preference has been marked by an increasing margin of preference to English, and in some cases Empire, products. But the various parts of the Empire are coming to expect a larger measure of reciprocal tariff advantages in the markets of Great Britain if they are to grant much further special facilities to the products of the home country in their markets. These reciprocal concessions, England is not now in a good position to grant.

ENGLAND'S POLICY DICTATED BY ECONOMIC POSITION

Despite the additions to the dutiable list through the small extensions of "safeguarding" duties to additional industries during the régime of the Conservative Party, England still has only a limited tariff schedule, with most classes of goods entering duty free. From a commercial viewpoint, Great Britain, the mother country, must look upon outside areas, even

within the Empire, primarily as sources of the foodstuffs and raw materials of which she has not a sufficiency, and as outlets for the products of her highly-expanded and elaborated industries.

The natural difficulties of accommodating the tariff policy to these different conditions in England and the Dominions are accentuated by the fact that the English Government is now in the hands of the Labour Party. The traditional free trade position of that party has led the MacDonald government to declare itself in favor of the lapsing or the termination of certain existing duties as soon as the revenues from them can be dispensed with, and definitely against any extension of the dutiable list in England, especially in regard to staple food products. Yet these staple foodstuffs constitute the principal exports of most of the Dominions and the colonies, and duties would need to be established on these before any preferential advantages could be established in the English market in favor of such products from Empire sources.

Under these circumstances, the ambitious program for free trade within the Empire and duties on everything coming from outside, which Lords Beaverbrook and Rothermere of England recently attempted—through their widely-circulating newspapers—to convert from a general rallying cry into a practical program for a United Empire Party, was obviously impractical of accomplishment. Its weaknesses and limitations were quickly pointed out by Mr. Baldwin, as head of the Conservative Party, and Lord Beaverbrook at least has abandoned his larger program in favor of the more moderate series of measures through which the Conservative Party, if restored to power, hopes to work toward the goal of imperial economic unity. This program contemplates, according to a

recent statement by Mr. Baldwin, three things: the adoption of a larger measure of protection or "safeguarding" to depressed industries within England, which may possibly be used for bargaining with other countries, in the interest of British export trade; the extension of imperial preference wherever the Dominions are prepared to coöperate; and what is termed "the new idea of imperial rationalization," which "will bring our Empire industries together for their mutual benefit in such a way that their experience is likely to draw them nearer the Empire free trade ideal."

OBSTACLES AND PROSPECTS OF EMPIRE TRADE PROGRAM

England thus appears to be limited in her tariff program by the long-standing belief that public opinion will not tolerate duties on the staples of the workingman's table—unless the national referendum on the subject suggested by Mr. Baldwin should prove sentiment to have changed. The Dominions are concerned primarily with fostering their own economic development by such tariff measures as may be necessary, even against England, although ready to give some preference to British over foreign products. Most of the colonies regard the tariff largely as their principal source of governmental revenue. Everything considered, the prospect for radical changes of large scope in the commercial policy of the principal areas comprising the British Empire, towards each other, seems rather remote at the present time.

The likelihood of large progress in Empire agreements has been rendered even more unpromising by recent actions of two of the Dominions. The Nationalist government of South Africa ratified last June a commercial treaty with Germany, and is now negotiating what is understood to be a

similar treaty with the Netherlands, promising the extension to those countries of any duty concessions that might in the future be granted in favor of any part of the Empire.

More recent has been the drastic action on the part of the new Labor government of Australia, in temporarily advancing the duties on the great majority of commodities hitherto imported, limiting the volume of annual importations of others to half the usual quantity, and prohibiting the importation of other classes of goods except with the written permission of the Minister for Trade and Customs.

The resentment against both these measures has been considerable in England and to a less extent in the other Dominions, but apparently the conception of the South African and Australian Governments as to what is called for in the interests of their own peoples and industries has led them to persist in their announced program, at least thus far.

However, the depressed economic conditions now prevailing in various parts of the British Empire, accentuated by concern over the curtailment—actual or prospective—of many important markets in outside countries as a result of the tariff policy of those countries, have stimulated very earnest thought during the past year all over the Empire as to means of bringing about closer trade relations between them. The only specific effort to that end in recent years have been the studies and the campaigns of the Imperial Economic Committee and of the Empire Marketing Board working in London. They have thus far placed their dependence largely upon the policy of stimulating "voluntary preference" through an intensive program of publicity, which has its counterpart in a number of the Dominions, urging preference in purchases to Empire

goods. They have endeavored not merely to appeal to sentiment, but to stress the close connection between the consumption of Empire goods and the expansion of import markets for the goods produced in Great Britain.

THE COMING IMPERIAL ECONOMIC CONFERENCE

The results of this campaign for "voluntary preference" of Empire goods has not thus far been all that was hoped for it, either in England or in the Dominions. The late Canadian Minister of Finance therefore made a proposal last summer for a special Empire conference, to work out reciprocal tariff agreements that will definitely divert the purchases of British areas more largely to Empire sources. This project was not received with equal interest in all of the British areas,

but will doubtless receive serious discussion at the next Imperial Economic Conference that is to convene in London in the fall.

Canada seems at present the area most friendly to greater Empire preference. She gave strong earnest of that sentiment in the annual budget introduced into the Parliament on May 1, 1930, which put into provisional operation the most radical revision of the Canadian tariff since 1907, with the declared primary object of diverting to British or other Empire sources a range of additional Canadian imports amounting to about two hundred million dollars annually. That the motives prompting this step were not unmixed, however, is indicated by the fact that the Canadian revision was received even in England with as much amazement as satisfaction.

IV. TRENDS OF COMMERCIAL POLICY IN LATIN AMERICA

Unlike the situation among the countries of Europe, or even among the various areas comprising the British Empire, there has been relatively little conference or agitation among the countries of Latin America regarding collective tariff action or the development of a broad common program or commercial policy toward each other.

RELATIVELY LITTLE COMMON PROGRAM OR POLICY

In large part, this is undoubtedly due to the fact that the countries of Latin America are much less dependent upon each other's markets for the disposal of their major export products or for their import requirements from abroad, than are the closely interdependent countries of the European continent or even those making up the British Empire. The principal markets as well as sources of importation among the countries of Latin America are the

United States and the major countries of Europe, making the need for common tariff action or policy among these countries hardly urgent. It has been noted that most of the commercial treaties of Latin American countries are not with each other but with their major trading countries of Europe or the United States.

GENERAL TREND OF TARIFF REVISIONS UPWARD

In general, the trend of tariff legislation in almost all the countries of Latin America has, during recent years, been distinctly upward. Dependent as these countries are upon customs receipts for the major part of their national revenues, increasing governmental needs have naturally led to the raising of import duties on all or selected commodities from time to time. This primary motive has been reinforced in recent years by a declared

purpose of increasing the duties in order to foster or stimulate domestic industries. This has been observed not alone in Mexico, Brazil, and Argentina, where the process of industrialization has been going on for a somewhat longer time, but more recently also in a number of areas around the Caribbean and, to a less degree, in certain countries of the north and west coasts of South America.

While the trend of tariff revisions in these countries during recent years has been predominantly upward, duty changes downward in particular instances have not been uncommon, especially in the case of import duties on machinery, equipment, or materials for use in production or construction. There has been a growing tendency in Latin America to encourage domestic economic development, whether in agriculture, mining, or industry, through the reduction or waiver of duties on the admission of necessary machinery and materials, or the waiver of local taxes on new economic ventures. In less frequent instances, have there been reductions in the duties on foodstuffs, at least for specified periods, as a means of keeping down living costs.

Viewed over a period of years, there appears to have been somewhat of a reduction in the frequency of tariff changes in Latin America. Thus, during 1927 as many as twelve of the twenty republics in that area put into operation tariff revisions or substantial changes in their import duties. In 1928, the number was five, and during the last year or so, only three countries are found to have put through comprehensive revisions of their customs tariffs. Revisions are reported to be under consideration or in project at the present time in three or four of the Latin American countries.

While the number of general revisions in the republics to the south of us

has been decreasing over the last few years, suggesting a closer approach to stability in the conditions of trading with these countries, a considerable amount of instability and commercial uncertainty has persisted, owing to the frequency of change in particular duties or import regulations, often being made effective without much notice. In many of these countries, the executive, operating through a particular cabinet minister or a specially constituted board, is vested with often unlimited authority to order changes in the duties on individual commodities or in other measures of trade control, at almost any time, and without requiring public hearings, legislative approval, or prior notice. In no other part of the world is the administrative tariff authority a regular feature of the governmental régime to the same extent as it is in Latin America.

COLLECTIVE EFFORTS TO EXPEDITE MOVEMENT OF GOODS

There have been notable recent efforts on the American continent during the last few years—some of them in a collective way—toward simpler and more liberal conditions at the customhouses and ports for the movement of trade between the countries, as well as in the procedures in connection with the documentation and dispatch of goods. Several of the Latin American countries have simplified matters by consolidating with the basic schedule of duties the various customs surcharges which have been an important feature of the tariffs of those countries. Others have transferred the collection of the consular fee for the legalization of shipping documents—which is often assessed as a percentage of the shipment's value, ranging as high as five and ten per cent—from the foreign exporter to the

domestic importer, thus giving it its proper place as an additional customs charge.

During 1929 alone, six of these countries—Bolivia, Costa Rica, Cuba, Ecuador, Guatemala, and Mexico—announced revised consular and customs regulations or codes, and all but one were efforts in the direction of greater simplicity and expedition of trade. The recommendations of the experts of the American republics who participated in the Pan-American Conference on Customs Procedure and Port Formalities at Washington in November 1929, are expected to give impetus to this tendency for simpler and more uniform requirements and practices

in these matters, irrespective of the degree to which the draft convention recommended by that conference receives wide acceptance, as a whole, by the American governments. This expectation arises partly from the evidence already apparent of the influence of the recommendations of the similar Pan-American Conference on Consular Procedure of 1927 upon the builders of the revised consular regulations which have since been issued by various of the American countries. Particular effort was made at the recent Washington Conference on Customs and Ports to bring about agreement upon simpler methods of control of goods and passengers carried by aircraft.

V. TRENDS OF COMMERCIAL POLICY IN THE ORIENT

In the Orient—using the term broadly to cover the countries of the Near East as well as of the Far East—there have been developments in commercial policy during the last few years of the most far-reaching significance. Turkey, Siam, Persia, China, and Egypt have all, in succession, finally thrown off the limitations hitherto imposed by the Western Powers upon their autonomous control of their tariffs and other measures of regulation of foreign trade. That system of control upon the tariff policy of the less developed areas appears to be rapidly passing away. Only Ethiopia (Abyssinia) now remains of all the countries in which for years the Western Powers have exercised capitulatory control over the movement of commerce.

COMMON SURGE TOWARD TARIFF AUTONOMY

The new tariff schedules of these countries, brought into operation in exercise of their new autonomy, have

naturally provided for higher duties in most cases. Desire for increased governmental revenue seemed the primary explanation. The differentiated nature of these schedules, however, with considerable variation of rates of duty applied to different commodities, gives indication that the governments are beginning to carry through their announced purpose in desiring autonomy, of encouraging or discouraging importation of different classes of commodities in accordance with their relation to the best economic interests of the country.

In some instances the duties appear distinctly intended to protect and foster the local development of certain industries. On the other hand, the nominal size or the entire waiver of import duties frequently provided for various classes of Western machinery and equipment, productive and commercial, bespeaks the efforts of these governments to use their control of their own tariff schedules also as a means of encouraging the economic

development or the modernization of the country.

With one or two exceptions, notably Russia, the countries that have concluded commercial treaties with these five newly autonomous countries have built them on an equality basis. The majority of the treaties provide simply for an exchange of most-favored-nation treatment.

TRENDS IN JAPANESE AND INDIAN TARIFF POLICY

The last revision of the import tariff of Japan, who has been independent in these matters for about a generation, was marked by definite efforts to protect or stimulate development of particular industries within that country, in line with the policy of progressive industrialization along which Japan has been moving. A further revision contemplated for introduction into the next session of the Diet is expected to propose some increased measures of protection to Japanese industries, but also reductions in duties on certain

staple raw materials and possibly some foods. A further moderation of the hundred-per-cent luxury tariff, imposed on many classes of goods following the earthquake of 1923, which had been partly taken off during the past year, is also expected. Notable in Japanese commercial policy has been the increasing range of commodities on which preference is required to be given to domestic over imported articles for governmental purchases, this list being added to periodically upon the recommendation of the "Home Industrial Encouragement Commission."

British India has traveled far during recent years from her original low uniform revenue tariff to duties ranging up to thirty per cent, some of them definitely intended to protect certain important domestic industries. It is also notable that within the last few years it has finally been possible to force a wedge of preference for British products into the tariff system of India, which traditionally gave equal treatment to products of all countries.

VI. CONCLUSION

Just a thought in closing. It may well be that this state of tension and unsettlement in foreign commercial policy that has recently become so marked, and the measures that are being taken and contemplated by various countries in expression of the renewed spirit of extreme nationalism, are only temporary. It is possible that it will pass, or become materially moderated, as the present surpluses of crops are worked off and business confidence and activities are revived. There may then be revived the tendency toward the more stable and more liberal commercial policy that had marked the past few years.

There are those, on the other hand,

who see a definitely intensified international competition in prospect for a stretch ahead. They point to the world-wide overproduction in many basic lines of agriculture, and over-expansion of facilities in many branches of industry. This condition is seen as the cumulative effect of the efforts in so many countries over the past decade toward rapid expansion and diversification of domestic production in every direction, without sufficient recognition of the interrelation between production programs and commercial policy.

However, it is beyond my scope or purpose here to attempt a diagnosis of the basic economic conditions that may

be responsible for the currents and counter-currents in the tariff measures and commercial policies of the various foreign countries. All that I have here endeavored to do has been to recognize

and describe these currents, as best they can be discerned among the welter of individual and apparently unrelated developments in this or that country during the last few years.

The Commercial Policy of the United States in the Light of Current World Developments

By WALLACE McCLURE, Ph.D.

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WORLD economic unity is a recognized fact. It is recognized alike by internationalists and by those who would discourage even the small experiments now in progress toward the organization of the world for purposes of political control. Spokesmen of our Government join with the representatives of business and they, in turn, echo the sentiments of our universities in proclaiming that whatever affects the welfare and the prosperity of any important country today inevitably has its repercussions in all of the others. As the Under-secretary of the Treasury said in a recent address: "The day of isolation in world affairs is over. The prosperity of each member of the world community is, in a large measure, dependent upon the prosperity of all."¹

"I think it is a truism," the delegate of Colombia remarked, in addressing the recent conference for concerted economic action,

that the laws of political economy are universal and that any governmental measures which affect their operation directly influence all the countries in the world. From this point of view, there are no continents, no nationalities, and no frontiers; mankind is an indivisible whole and is influenced directly by its material needs; unless these are satisfied it cannot continue to exist.²

¹ "The United States as a World Power," an address by Ogden L. Mills, New York, March 6, 1930. Treasury Department, mimeographed press release, March 7, 1930.

² League of Nations: Preliminary Conference with a View to Concerted Economic Action, Verbatim Report (mimeographed) of the Eighth Meeting, Geneva, Feb. 20, 1930, pp. 1-2. Address by M. Restrepo. Translation.

WORLD EFFECT INESCAPABLE

If these statements are true, it follows that there can be no sharp distinction between domestic commercial policy and international commercial policy: each must be predicated upon the fact of an outside world and upon the interrelation of all nations. The expression of any economic policy, whether denominated domestic or international, has an inescapable effect upon commerce, whether within the forty-eight states or the wider area of American free trade, or between people residing in this area and people in countries on the outside.

Moreover, any discussion of the commercial policy of the United States, whether from the point of view of the enlightened self-interest of the country itself or, if any difference can be discovered, from that of the relation between commercial policy and world peace, must likewise be based upon the fundamental fact of universal economic unity.

Such discussion naturally proceeds through three separate topics, seeking answers to the questions: (1) what is the existing commercial policy of the United States; (2) what are the commercial policies of the countries with which it comes in contact in the actual courses of trade; and (3) what is necessary to produce that harmony of effort that will best promote the world prosperity upon which, as Mr. Mills and so many others have said, the prosperity of each country and all countries depends.

The development of so extensive an

outline would seem to presuppose not only some explanations from past events but faith and foresight covering a considerable number of future years.

I

COMMERCIAL POLICIES OF THE UNITED STATES

The present commercial policy of the United States is characterized by a consistent and very thoroughgoing effort to retard the importation of merchandise and to promote the exportation of whatever can be produced within the American domain. Systematic retardation of imports began with the first Congress and has seldom, if ever, been absent from American policy.

Though export trade, even in the beginning, was not neglected, it could be depended upon in large measure to take care of itself. Far-reaching Governmental effort to promote and foster the sale of national products abroad may be said to be a development of the present century, especially of the present decade.

To the policy of retarding importation there are few exceptions. It is true that importation occurs upon a vast scale. It is also true that more than three fifths of all imported products are not subjected to the payment of import duties. This large proportion, however, results from the fact that the imported commodities included in it are almost exclusively raw materials, and from the further fact that import duties upon merchandise other than raw materials are so high as to depress or eliminate the proportion of the total importation that might be expected to be comprised of fabricated and dutiable goods.

It is not by any means true, however, that all raw materials are on the free list. The policy of the United States with reference to importation does not

consistently follow the well-known doctrine of the mercantilists that the importation of the raw materials of industry should be unencumbered.³

Perhaps the only clear-cut element of American policy with reference to importation that is not one of retardation, unless the mere existence of a free list in the tariff laws may be so considered, lies in the precedent set a few years ago of Governmental disapproval of loans, the proceeds of which were to be used to further the interests of certain monopolies in the production of raw materials in other countries. In the case of the recent loan of approximately \$100,000,000 to the State of São Paulo, Brazil, the bankers expressly represented that the proceeds were to be used for the liquidation of coffee stocks and not for the further valorization of coffee. This slight exception is one which proves the rule.

MUTUAL ACTION NECESSARY

President Harding was only one of many spokesmen of the Government and the people of the United States who have clearly pointed out that if Americans do not buy abroad they cannot sell abroad;⁴ for exports can only be paid for by goods or their equivalent, services. While a country's imports and exports vis-à-vis any particular country need not be in balance, any country's imports from all countries must, over any considerable period of time, equal its exports to all countries. Otherwise, its people

³ See Spann, Othmar, *The History of Economics*, New York, 1930, p. 32.

⁴ "Continued trade must be reciprocal,"—address of Feb. 28, 1922, to joint session of Congress. "We recognize the necessity of buying wherever we sell, and the permanency of trade lies in its acceptable exchanges. In our pursuit of markets we must give as well as receive"—address of Dec. 6, 1921, to joint session of Congress.

would be giving away goods or services without compensation.

The policy of the United States with reference to exports is one of definite and persistent trade promotion. This consists not merely of the efforts constantly in progress on the part of representatives of the Departments of State, Commerce, and Agriculture in other countries, but upon statutory enactments and numerous treaties.

The Constitution itself laid the foundation for this policy when its authors included in it provisions that forbade the levy of export duties.⁵ The laws of the United States which undertake to curb monopolies and to preserve free competition in the domestic market have been relaxed by special enactment⁶ in order that exporters may form associations the better to compete in the world market. They may also enter into arrangements in the nature of cartel agreements with business combinations in other countries. The idea of a competitive effort for markets is present in American policy with reference to exportation, but the emphasis is upon exportation however promoted.

COMMERCIAL TREATIES

Of outstanding importance, practically as well as in theory, is the promotion of export trade by means of commercial treaties with other countries—a policy which has been pursued ever since 1778, when treaties of alliance and of commerce were entered into with France. The essential feature of the commercial treaties of the United

States, as of countries generally, is the protection of ocean carriers in the ports and of exported merchandise in the customs houses of importing countries as well as in transit through such countries to those that lie beyond.

American commercial treaties have, from the beginning, had as their characteristic provision a clause designed to prevent discrimination in the matter of customs duties, formalities, and facilities. During recent years, this policy of seeking and reciprocally granting most-favored-nation treatment has developed into a more far-reaching policy than heretofore. Not only has the conditional most-favored-nation clause been superseded by the unconditional, but the United States has become a world leader in maintaining this policy. Its representatives at the World Economic Conference of 1927 were largely responsible for the unequivocal character of the resolutions adopted.

No country in the world today exceeds the United States in its zeal for treaties based upon a most-favored-nation provision that is unconditional and unrestricted in form and substance. So far as treaty aid to exports is concerned, the commercial policy of the country has its foundation in this reciprocal assurance of equality of treatment. The practical benefits have been of indisputable value.

II

COMMERCIAL POLICIES ABROAD

The commercial policy of the United States is the commercial policy of the world at large. This does not mean that all countries pursuing policies of the retardation of imports and the promotion of exports press their programs with equal intensity, or even that all countries maintain such policies at all. But unquestionably, the United States and the great majority

⁵ "No tax or duty shall be laid on articles exported from any state."—Art. I, Sec. 9.

⁶ Webb-Pomerene Law, Act of April 10, 1918. *Statutes at Large of the United States* (65th Congress), vol. 40, part 1, p. 516.

See also "An Act to authorize association of producers of agricultural products," approved Feb. 18, 1922. *Ibid.* (67th Congress), vol. 42, part 1, p. 388.

of important commercial countries resemble one another closely in respect to this most reliable criterion of national attitudes toward international trade.

In the world of today, accordingly, international commercial contact takes place amidst a clash of policies in which the objective that each country primarily seeks, namely, export trade, is being opposed by the others, and the importation of goods into its own territories, which each country repels, is being sought by the others. The general conclusion would not seem to be altered by the fact that the process is intensified so far as manufactured goods are concerned and is often most insistent in connection with farm products, nor by the fact that it is frequently inoperative toward non-agricultural raw materials.

The commercial world picture must, however, even when drawn in barest outline, indicate certain additional matters which are to be found in the countries or groups of countries among which commerce is now carried on upon a great scale.

So far as countries which are less developed than the United States are concerned, such as those of Latin America, the Pacific area, and a large proportion of Asia, the problem is simple and presents nothing new. The question of commercial intercourse is a question of whether in any particular case the political unit involved maintains barriers that are or are not too high to permit the flow of trade. Many of the customs duties are for revenue only, and hence designed not to hinder, but rather, if possible, to avoid curtailment of imports.

In Europe, however, where international trade reaches its maximum development, both among the countries there and between those countries and other continents, is found a

comparatively small geographical area sharply divided by protective—often highly protective—walls into very numerous and populous political units, several of which are economically as advanced as any in the world. It is of real significance that, especially during recent years, European efforts towards economic unification, however slow they are to bear much fruit, have continued to be put forth with apparently increasing vitality.

NEED FOR UNRESTRICTED TRADE

The desire to widen markets has led to the problem not merely of economic unions but, as perhaps a necessary precedent, of some degree of political *rapprochement*. Discussion of economic unions in Europe is usually accompanied by a program of some sort of preference in the customhouses for the products of those countries which enter the union. If preferences are to be accorded, the result will be the breakdown of most-favored-nation treatment and, consequently, will make ineffective from the non-European point of view the principal feature of a commercial policy which has as its objective the preservation of unconditional and unrestricted most-favored-nation treatment.

Whatever the effect upon overseas countries, the need for the elimination of barriers to trade is too acute on the continent of Europe to be much longer resisted, even by the inertia, the nationalism, and the selfish private interests of the European countries themselves. Indeed, the movement, which seems to be relentlessly, even though very gradually, breaking down this resistance, has been fairly gotten under way and its momentum may be expected to increase.

Perhaps the surest sign of such eventuality is the fact that no fewer than eighteen countries, all of them

European, have signed this spring⁷ a collective commercial convention which pledges those of them which maintain treaty tariffs to observe until April 1, 1931, a truce in respect to increased conventional duties, and those of them which do not maintain such tariffs likewise to refrain from statutory increases in existing duties that are protective.

MOVEMENT TOWARD RAPPROCHEMENT

Even more significant—especially in view of the existing serious doubt as to the ratification of the commercial convention—is the fact that these eighteen and five additional European countries have signed a protocol by which they agree to continue negotiations looking to future economic *rapprochement*.⁸ Even though tariff increases continue to be made in Europe and may continue until their work of impoverishment has added to the desolation they have already wrought, the time would seem to be not far off when European rates will move in the opposite direction.

The fundamental question is, will these reductions in barriers to trade be general or will they be participated in only by the European countries which join in the movement?

The answer probably lies in the attitude of non-European countries. The convention and protocol just mentioned are open, as are other recent general treaties, to the adherence of practically any country in the world

which is willing to subscribe to their provisions. Such countries have it in their power, accordingly, to make the movement for economic *rapprochement* a world movement or, by abstaining, to increase the probability that European countries will draw exclusively together, refusing to continue their most-favored-nation treaties, as the compulsory terms thereof expire, and gradually introducing preferences among themselves.

III

SUGGESTIONS FOR THE FUTURE

To avoid embarrassing eventualities is one of the primary functions of statesmanship. If the exigencies of European economy suggest an interpretation of the most-favored-nation clause out of harmony with the needs of non-European countries, the Western statesman may be expected at once to seek ways and means of preventing the development of the question into a controversy.

If European countries are compelled by force of circumstances to reduce their barriers to intra-European trade, the world statesman may appropriately inquire whether equally good reasons do not exist in favor of a reduction of impediments to international commercial intercourse generally.

In so doing, such statesman must exercise a wise foresight. Just as he looks back over the past decade for the immediate explanation of the present situation, so he must look forward through the ensuing decade in the formulation of the commercial policy of tomorrow.

There seems to be a pretty general agreement that both the United States and the world at large today are in the midst of economic depression. Although in this country there has been prompt and very effectual remedial action under Presidential leadership,

⁷ The time limit for signature was April 15, 1930. The following states signed the convention: Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Italy, Latvia, Luxembourg, the Netherlands, Norway, Poland, Rumania, Sweden, and Switzerland.

⁸ In addition to the eighteen countries named, the following countries have signed protocol on future negotiations: Czechoslovakia, Hungary, Lithuania, Portugal, and Yugoslavia.

the crisis has nevertheless been difficult and is profoundly affecting the welfare of all walks of economic life. Its outstanding characteristics, as usual, are overproduction and unemployment.

Overproduction and unemployment form a vicious circle in economic affairs. Each is a result of the other, and efforts to correct either, as long as the other persists, are likely to be unavailing. While important countries like Great Britain, Germany, and the United States number their involuntarily unemployed by the millions, naturally the normal productive forces of these countries, and indeed of the world at large, are faced with a shortage in demand that makes the situation increasingly acute. Those who are unemployed lack the purchasing power to be normal consumers. Consequently, they lack the ability effectually to curtail the existing surplus of goods, thus stimulating employment and relieving their own distress.

PRODUCTION IMPROPERLY ORGANIZED

It is difficult to imagine a stain upon present-day civilization more deep-dyed than this. The entire human race, save for the little handful of persons who compose the wealthy classes, is crying out for more and more goods. The full time of every worker every day is needed to produce the goods desired, which even then would not be sufficient. Yet, untold millions of human lives are being deprived of all approach to happiness today because we have been unable so to organize our industrial system as to conserve and make fruitful our human resources.

Commercial policy cannot shoulder the main responsibility, but a wisely directed commercial policy may perhaps be not only a source of substantial relief but the only source available to practical statesmen at the present time.

If in even the greatest of national

markets, our own, unemployment seems all too likely to be chronic; if the same thing is apparently true in Australia, a new country of vast territory and resources and only six million people, the conclusion can hardly be avoided that only the widest attainable international markets are sufficient in order that existing difficulties of demand and supply may be set over against each other and canceled.

Accordingly, national policies which undertake to promote export trade are well tuned to the needs of countries which are suffering from depression; but if, as is the case today, these policies are at once counteracted in almost every country by policies which retard importation, markets will continue to be narrow and the corrective influence of widespread possibilities of exchange will be denied to the world.

As already pointed out, the commercial policy of the United States with reference to imports is, with slight variation, the policy the country has pursued from its earliest days. It does not follow, however, that a policy designed to overcome economic inertia and establish industries in every way suited to American human and natural resources, but needing a stimulus to get started, is necessarily the best policy to be continued by a country which has long since become one of the most highly industrialized in the world.

CONFLICTING FACTORS

The policy of promoting exports, confined in 1790 to such aid as was contributed by four or five commercial treaties, is, in 1930, supplemented by other activities which, if on the whole of lesser importance than the approximately forty treaties and executive agreements containing the most-favored-nation clause now in force, are far more direct and positive. The two

arms of the present-day commercial policy of nearly every nation are operating at cross purposes and need to be reconciled.

Such reconciliation can be achieved only through a diminution of existing barriers to international trade.

Since the problem is international, it may most properly be dealt with by treaty; since it involves many or even all nations, treaties should be multipartite in form and should be open to universal adherence. Happily, this *modus operandi* has long been a practice of states and the present decade has been especially fruitful of such treaties designed to facilitate the movement of trade. The commercial convention signed at Geneva, March 24, 1930, has had several important forerunners.

The convention for the simplification of customs formalities, signed in 1923 and now participated in by some thirty countries,⁹ mostly European, was designed to remove obsolete and unnecessary customhouse regulations which, without contributing essentially to the revenue or protective systems of the countries maintaining them, nevertheless were nuisances to merchants and constituted real barriers to trade. The convention was a distinct step in the progress of barrier removal.

On October 1 of last year, two agreements came into force among more than fifteen European countries¹⁰ for

⁹ Austria, Belgium, Brazil, British Empire, Australia, Union of South Africa, New Zealand, India, Bulgaria, China, Czechoslovakia, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Luxemburg, French Protectorate of Morocco, the Netherlands, Norway, Persia, Rumania, Yugoslavia, Siam, Sweden, Switzerland, and the Regency of Tunis (under French Protectorate).

¹⁰ Austria, Belgium, Czechoslovakia, Great Britain and Northern Ireland, Denmark, Finland, France, Germany, Hungary, Italy, Luxemburg, the Netherlands, Rumania, Yugoslavia, Sweden, and Switzerland.

the purpose of removing prohibitions and restrictions and eliminating or limiting duties on the exportation of several raw materials, notably hides. The immense importance of free access by all countries to the world's limited supplies of the essential raw materials of industry makes these agreements of particular significance.

CONVENTION TO ABOLISH PROHIBITIONS AND RESTRICTIONS

Of more widespread importance, though perhaps less interesting as a precedent, is the convention which came into force with the beginning of the present year,¹¹ for the abolition of import and export prohibitions and restrictions. Its objective is the elimination of many impassable barriers to trade—chiefly vestiges of the world war—which, like armaments, could be effectively dealt with only by the nations collectively.

This convention has nothing to do with customs duties, and even side-steps—if the refusal of the second conference on prohibitions and restrictions, July, 1928,¹² to go on record is decisive—the question of internal regulations which effectively prohibit the importation of motion pictures; but if it remains operative, it will do much to relieve the present commercial situation in Europe.

In addition to a majority of the countries of Europe, the parties to the convention include Japan and the United States. The latter was influenced in ratifying the convention by

¹¹ The parties to the Protocol of December 5, 1929, are: United States of America, Austria, Belgium, Denmark, France, Great Britain, Hungary, Germany, Italy, Japan, Luxemburg, the Netherlands, Norway, Portugal, Rumania, Switzerland, and Yugoslavia.

¹² Proceedings of the Second International Conference for the Abolition of Import and Export Prohibitions and Restrictions, Geneva, July 3-19, 1928, pp. 86 *et seq.*

the interest manifested by its greatest manufacturing exporter, the automobile industry.

This example of economic coöperation, in which the two most powerful non-European countries have joined with Europe for the correction of an economic situation depressing to the commerce of the whole world, would seem to point the way of future action.

If any country, whether of the Far East or the Far West, wishes to safeguard the principle of equality of treatment; if any country wishes to avoid European solidarity to the exclusion of the outside world and encourage instead the development of a genuine world economy consistent with the recognized economic unity of the world—that country is presented with an opportunity for leadership in making world-wide the acceptance of such treaties as now exist and of forging ahead in the encouragement of others that are needed or will soon be necessary. That country also has at hand a well-tried and effective method, one requiring infinite patience and diplomatic skill, it is true, but one which holds large promise of beneficent practical results.

NEGATIVE POLICY INSUFFICIENT

The policy of equality of treatment has served our own country well. It has had about it the atmosphere of fair dealing; it seems in accord with friendliness and peace. But it is

essentially a negative policy. Its key note is the absence of discrimination. It takes no account of situations in which equality is barren of results because barriers of insuperable height are equally forbidding to all. The trade of the future will need promotion by more positive and far-reaching measures.

Our country has, indeed, refrained from discriminations, but it has long sought positive action by other countries with reference to removing impediments to our trade. We have kept the Golden Rule as stated by Hillel: "What is unpleasing to thyself, that do not to thy neighbor."¹³ But Hillel was a Pharisee, even if the Great Pharisee, and Pharisaism means separateness—the attitude of those who are set apart.

International trade needs not only equality, but more. For its promotion in this day and time it demands a philosophy of drawing together, a practice of reciprocal reduction of barriers among all nations. A country exercising leadership in such a movement will adopt the Christian version of the Golden Rule: "Whatsoever ye would that men should do unto you, do ye even so to them." A community of economic policy based upon the Golden Rule would seem to be well calculated to promote the peace of the world.

¹³ Ludwig, Emil, *The Son of Man*, p. 56. A similar phrasing is found in the writings of Confucius.

Commercial Policies and Tariffs in Their Relation to World Peace

By EDGAR B. BROSSARD, M.S., PH.D.

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WHAT I shall say on this subject should be taken as my own personal views, and not the views of the Tariff Commission nor of any other member of the Commission.

Discussion of commercial policies and tariffs in their relation to world peace is particularly appropriate at this time because of the intense interest of foreign countries in the tariff bill now nearing completion in the United States Congress.

I shall mention only a few of the general movements tending towards peace, and comment on some of the international aspects of the United States tariff and commercial policies.

BETTER COMMUNICATIONS AID WORLD PEACE

International trade is becoming more and more important, not only to the United States but to all other countries. In value, variety, and quantity, the foreign commerce of the world has increased year by year. Although nations are as distinct as ever, the world is more unified socially and commercially. Perfection of communication is bringing a more closely knit coherency in world-wide conditions. The peace movement has strong allies in radios, telegrams, motion pictures, airplanes, steamships, automobiles, and railroads. War is by no means impossible, but as nations know each other better, peaceful solutions should be found at least for national and international industrial controversies.

The great nations of the world are trying aggressively to develop more

friendly coöperation. There are indications that a solution of most of the problems of the world by peaceful methods is nearer now than ever.

The Kellogg Pact is an impressive evidence of the desire for peace. And as the Honorable David A. Reed, the distinguished senior senator from Pennsylvania, recently said, the signing of the London treaty for the limitation of naval armament by the five great naval powers of the world shows, in a way that no skeptic can doubt it, that those signatory powers desire friendly relations with each other.

The new agreement goes farther than any other ever drawn. As a result of the treaty these leading nations of the world will go about their affairs, respecting one another and interested in the preservation of peace and in the promotion of friendly relations throughout the world. Such friendly relations, coöperative activities, and mutual understandings contribute to peace and prosperity.

When distrust, suspicion, and misunderstandings are removed, the greatest dangers to world peace will be put away. Full and frank discussion and general understanding of what is actually involved in international commercial treaties and in domestic tariff policies will build up mutual confidence in the honesty, the integrity, the reliability, and the generosity of the respective nations of the world, so essential to the mutual respect that is the foundation of world peace.

Experience with the United States Tariff Commission during the past

seven years has convinced me that what is now needed in international affairs, as much as anything else, is accurate information in the minds of the general public of all nations, about the commercial and tariff policies of all nations. When facts supplant fancy, and actual understanding replaces superficial and hasty conclusions, we shall be on a sounder basis. Present tendencies are in that direction.

MODERN BUSINESS REQUIRES FRIENDLY FOREIGN CONTACTS

There are many evidences of the friendly relations now existing among nations. The United States, like other nations, is anxious to maintain peace. The foreign trade of this country demands cordial contacts. In recent years the United States Department of Commerce has done much to encourage exports. Domestic manufacturers, by mass production and aggressive foreign sales policies, have found new or larger foreign markets for many products, such as typewriters, adding machines, safety razors, automobiles, automobile tires, pianos, shoes, wheat, fruit, lard, cotton, and so on. The domestic market also is becoming more and more important.

One purpose of our commercial treaties is a more friendly and personal intimacy with other peoples. Our Government uses every legitimate means to establish and maintain such relationships.

Each country reserves to itself the right to adopt such tariff and commercial policies as it deems wise and appropriate. Naturally, each country adopts the tariff and commercial policies that are thought to be advantageous to its own citizens. Often conflicting interests make it difficult to decide what tariff policy should be adopted with respect to individual products or industries. After a thorough trial and

long experience, this country has adopted the protective tariff policy to promote the best interests of her citizens. The whole world, in fact, has now gone over to protection.

As valuable as it is, and both in spite of and because of its general acceptance to be most effective, protection must be applied wisely. No one advocates indiscriminate protection against all imports. No one urges that customs rates should be boosted to the skies. Congress is not malicious. It does not knowingly fix excessive rates. Congress calculates and tries to balance the advantages and the disadvantages of each rate. Adequate but balanced protection apparently has been the ideal.

In the tariff bill now pending, Congress has fixed many rates for the expressed purpose of limiting imports from foreign countries, so that products grown, mined, or manufactured in this country may take the place of those imports in this, our own, market. The extent to which imports may be limited by the rates fixed cannot be accurately foretold. The rates fixed may or may not result in an increase or a decrease in prices in this country. That will depend upon the conditions of supply and demand in the country after the rates become effective. The effect on prices to domestic consumers cannot be accurately calculated in advance. Neither can producers, domestic or foreign, forecast accurately the effect on their costs of production or sales prices. The great volume and variety of imports into the United States from foreign countries, however, has stirred up tremendous interest in the new prospective tariff law. Almost every nation on the face of the earth will be affected, more or less, by the new customs rates.

No foreign country, however, will be affected as much as the United States

itself. Congress has had the task of balancing the great domestic and foreign interests of this country. If Congress has done a good job, producers and consumers of this country will be benefited and our friendly relations abroad will also be maintained. Whatever the results, it is the people of the United States that are responsible, for Congress is the voice of the people. And as long as the Constitution stands, Congress will continue to make the tariff laws and determine the tariff policy of the country.

CONGRESS SHOULD DETERMINE TARIFF POLICY

Many persons criticize Congress for what seems a most unscientific method of tariff making. But after practical experience with the Tariff Commission in dealing with the problems involved in the tariff, I think Congress is to be congratulated for the wisdom and the judgment that are packed into a tariff law, with its thousands of rates and its myriads of intricate technicalities. It is remarkable that Congress does so well. Tariff revision takes time, but it is a gigantic task.

The leaders in Congress, responsible for the pending tariff bill, have shown a knowledge of the problems involved in tariff making that is not excelled anywhere. They deserve our respect for their patient and tireless labors.

Some men in public office are advocating a change. Some have gone so far as to say that the Tariff Commission should determine the tariff policy and should make the tariff laws. I believe the tariff policy and the tariff laws should be, and always shall be, laid down by Congress. The voters will see to that. That is not the province of the Tariff Commission. The Commission should not be in politics.

There is ample need and opportunity

for the Tariff Commission as a scientific, fact-finding body without its being forced into politics by making it responsible for the tariff *policy* of the country. The tariff policy is an important matter, to be settled only by the voice of the people themselves through their representatives in Congress.

What I have said does not apply to the so-called flexible tariff. With the flexible tariff, as with other tariff policies, Congress must define the basis and lay down the plan for tariff adjustments. The actual administration of the plan, the Supreme Court indicates, may be delegated by Congress to the President, to an independent board like the Tariff Commission, or to some agent of Congress.

FLEXIBLE TARIFF

Although the flexible tariff provision in the Act of 1922 was not perfect, experience has proved it a practical device for adjusting rates between general tariff revisions by Congress. In 1922, it was a new method of adjusting the tariff. It had never been tried before. The Tariff Commission has had some trouble interpreting it. The law might have been administered much better or much worse than it has been. But in spite of the fact that it has not worked as it might, it has proved to be practical.

If Congress will profit by past experience and make a few changes in the law, the flexible tariff may be a useful and desirable part of the Tariff Act of 1930. The Tariff Commission and even the President may also profit by the experiences of the past. Many of the controversial questions involved in the flexible tariff have now been settled by Court decisions. A staff of tariff experts are now trained for the necessary work. Short cuts have been found, tried, and proved. Much of the foreign opposition has been overcome and may

be avoided in the future by new methods of investigation.

One important feature of the United States flexible tariff that has not been given the credit it deserves is that it gives to foreign producers a better opportunity for open, fair, equal, and public presentation of their tariff cases than is granted in any other country in the world. Foreign countries have been slow to realize that fact, but recognition of it will surely come, even though late. When fully realized, much of the foreign criticism of the flexible tariff may be stilled. Disappointed partisans, of course, may always be expected to criticize. Neither the United States nor any other country is immune to that kind of criticism, unjustified as it may be. But the flexible tariff policy of the United States offers opportunity for the encouragement of good will in foreign countries.

FOREIGN INTERESTS ARE HEARD

It is quite natural for other countries to be interested when the United States revises the tariff law. Practically all foreign countries export products to this country. Imports being greater and more countries selling products here, our tariff and commercial policies have become of more general interest year by year.

Foreign interests have been especially active during the consideration of the pending bill. When Congress began the tariff hearings over a year ago, foreign manufacturers and foreign exporters became anxious about the probable effect of higher import duties upon the sale of their goods in this country. They prepared briefs, arguments, and memoranda, as they have done during past tariff revisions, and submitted these to their respective governments, with the request that they be called to the

attention of the proper authorities in this country.

The governments of some twenty-nine countries submitted such briefs to the Department of State in Washington, sometimes with and sometimes without comment. At the request of the Chairman of the Senate Finance Committee, those memoranda were printed for the use of Congress in considering what rates of duty should be fixed in the Tariff Act of 1930.

While those so-called foreign "protests" may have been more numerous than usual, there is nothing unusual about their character. Many men with long experience in tariff making say that similar communications have always been received whenever tariff revision has been under consideration. They think of them as a part of tariff making, and undoubtedly have given them what they deemed to be due consideration.

Never before has Congress had in such usable form so much information on the problems involved in tariff making. Congress has held open hearings on tariff rates. Foreign interests have been given the same opportunity as domestic interests to present their cases before the various committees. All the information, oral or written, which they have submitted has been made available to the lawmakers. Domestic interests also have gone to great expense to present their cases before the committees of Congress.

The Tariff Commission and other Government agencies have furnished thousands of pages of tariff facts, and in addition, the experts have spent many months in oral discussion of the problems with members of Congress. The tariff problems have been focused sharply, and members of Congress by their votes have indicated their evaluation of the evidence before them. How well they have understood conditions

can only be decided by future developments.

Although protective tariff rates are a perennial source of international argument, and one may "imagine" various retaliatory measures on the part of foreign countries, an examination of the actual conditions throughout the world shows no justification for serious criticism of the tariff and commercial policies of the United States.

EQUAL TREATMENT PROMOTES GOOD WILL

The commercial policy of the United States is to treat all nations alike, the best possible. Our treaties give all nations most-favored-nation treatment. In return, we try to get from other nations the same consideration. Equality for all, discrimination against none, special favors to none—that, in general, is the American policy. Customs duties on goods imported into the United States and all customs formalities are the same regardless of the country of origin of the imported goods.

For more than one hundred years, with only slight deviation in 1897, the United States tariff laws have had but a single list of customs duties. The Tariff Act of 1922 definitely established this policy of equality of treatment. The pending tariff bill, likewise, discriminates against no country, and gives equality of treatment to all countries. Experience shows that peace is promoted by treating all nations alike in our commercial treaties and in our tariff legislation.

Like the United States, foreign countries are seeking to establish world markets for their products. By favorable commercial treaties and every other legitimate means, they are endeavoring to expand their foreign trade. European tariffs are bargaining tariffs. They are thus in striking contrast with the American tariff plan.

A few countries like Great Britain, Belgium, Denmark, and the Netherlands have tariffs with but a single schedule, like the United States; but typical *Continental* European tariffs establish two or more schedules of duties.

The application of the higher or lower schedules of duties to the imports of any country is determined by the terms of the commercial treaty with that country. Europeans claim that such bargaining tariffs lead to better international relations, since in negotiating commercial treaties, concessions may be made on both sides, thus promoting a spirit of good will.

In actual operation, however, the concessions granted in bargaining are usually illusory. Generally, the *minimum* rates are placed at the level considered necessary to protect the domestic industries. Above this schedule are set one or more additional schedules at artificially high levels. Concessions from the higher rates for bargaining purposes, in reality, give little advantage to the country obtaining them. It is well known that European countries make a practice of raising the general level of their tariff rates before they begin the negotiation of new commercial treaties.

This difference in the basic plan of the tariff laws of the United States and of Europe has caused some misunderstanding. However, since these fundamental differences do exist between the tariff policies of the United States and those of European countries, it is essential that they be well understood and taken into consideration in discussing tariff and commercial policies. It appears now that if this fundamental difference between the European and the American tariff laws had been fully appreciated by all concerned, some of the difficulties that have arisen between the United States and other countries

might have been avoided. Accurate information available to the general public on such subjects would be a great aid to the maintenance of friendly relationships. It is probably too much to hope, but certainly it would help the commercial relations of the world, if all nations were given equal tariff treatment by all other nations. It would greatly simplify the making of commercial treaties.

WORLD TARIFFS HIGHER

Since the World War, tariffs in most countries of the world have been increased. The general tariff trend has been upward, yet international trade has continued to expand. Decreases in import duties have been comparatively few.

Tariff duties, however, have not been the most decisive factor in determining the volume of trade carried on with a given country. The extent to which tariffs have restricted imports has depended largely on the buying power in the importing country, on the producers' costs of production, and on the importers' profit margins. In most countries, the duties on manufactured articles have been increased much more than on agricultural products. Duties on raw materials throughout the world are comparatively low and the cases in which they have been raised are not numerous, though in a few countries, agricultural rates especially have been raised. The general upward trend of tariff rates has been due in the majority of cases wholly to the imposition of higher rates on finished manufactured articles.

Immediately after the war, nearly all European tariffs were increased. Even before the United States passed the Emergency Tariff Act of 1921, France, Germany, Italy, and Great Britain had increased their customs duties. Since 1922, most European

countries, for their own reasons, have increased their tariffs several times. But the evidence does not show that, after the United States Tariff Act of 1922 was passed, European countries passed retaliatory tariffs.

Neither does the available evidence show that foreign countries, either in Europe or elsewhere, have adopted higher tariff rates in retaliation for the increased rates in the tariff bill under discussion. There have been numerous and conspicuous increases of import duties by foreign countries on export products of the United States since May 1929, when the tariff bill, H. R. 2667, was made public. Such increases, however, have not been more numerous than over like periods in previous years when no tariff increases were contemplated in the United States.

A careful examination of the changes made in foreign import duties during the past nine months shows that in the great majority of cases the increased duties were not directed exclusively or even primarily against the United States, because the increased rates apply equally, or even more heavily, against the same articles imported from other countries. In many cases, the articles subject to the increased duties are imported from some other country in larger quantities than from the United States.

As a measure of farm relief, Germany, for the third time in nine months, has recently raised her tariff rates on grain and fodders, and France has just increased the duties on automobiles and automobile parts. There has been much talk about this recent action of France as being retaliatory for the increased duty on laces voted by the United States Senate. However, the action by the French Tariff Committee of the Chamber of Deputies was taken before the word of the Senate in-

crease in the lace tariff could possibly have been received in Paris, and action by France appears to have been taken quite independently and without thought of retaliation. In fact, it has been reported that the French rates originally proposed were reduced thirty to fifty per cent after the lace duty increase became known.

The United States Committee on Conference on the tariff bill H. R. 2667, however, struck out the Senate provision increasing the duty on lace. It remains to be seen what will happen to the recent French increase in the duty on automobiles.

TREATY STATUS SHOWS FRIENDLY RELATIONS

The treaty status of this country indicates that friendly commercial relations now exist between this country and all other countries of the world.

At the present time, the United States has commercial treaties or agreements in effect with the following forty-four countries, assuring to products of the United States the most favorable tariff treatment accorded to similar products of any other country: Argentina, Austria, Belgium, Bolivia, Borneo, Brazil, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Denmark, Dominican Republic, Egypt, Estonia, Ethiopia, Finland, Germany, Great Britain, Greece, Guatemala, Haiti, Honduras, Hungary, Italy, Japan, Latvia, Liberia, Lithuania, Morocco, Muscat, Nicaragua, Norway, Paraguay, Persia, Poland, Portugal, Rumania, Serb-Croat-Slovene State (Yugoslavia), Siam, Spain, Switzerland, Turkey, Zanzibar.

Some of these treaties make specified exceptions to most-favored-nation treatment. Our treaty with England assures the most-favored-nation treatment only in "European territories of Great Britain." The United States

excepts its commerce with Cuba, the Panama Canal Zone, and any territory or possession of the United States; and some of the other countries reserve the right to make special concessions to certain neighboring states, or to states with which they have special relations. For example, Spain excepts its trade with Portugal, and Portugal excepts its trade with Spain or Brazil.

In the following nineteen countries, which have no tariff treaty or agreement with the United States, American products receive the same tariff treatment as similar imports from all other *foreign* countries: Afghanistan, Albania, Arabian States (except Muscat), Australia, Bulgaria, Chile, India, Luxemburg, Mexico, the Netherlands, Newfoundland, New Zealand, Panama, Peru, Russia (except treaty concessions to Latvia), Sweden, Union of South Africa, Uruguay, Venezuela. Of these countries, Australia, India, Newfoundland, New Zealand, and the Union of South Africa give tariff preference to British products.

Only three countries—Canada, France, and Salvador—give more favorable tariff treatment to other *foreign* countries than to the United States.

This review shows that friendly relations exist between the United States and other countries.

PENDING BILL UNLIKELY TO DISTURB FRIENDLY STATUS

There appears to be little ground for anxiety about the peace between the United States and other countries being upset by the new United States tariff rates. The mutual advantages of trade are too great to be entirely thrown away. No foreign country wants to lose the American market, for no other market in the world is able to *purchase and pay for* as large a volume and variety of imported products.

And no foreign country wants a tariff war with the United States, nor does this country want a tariff war with any other country.

The United States admits *free of duty* a greater volume of products than any other nation in the world, with the possible exception of Great Britain. Two thirds of all United States imports enter free of duty. The average ad valorem equivalent on all imports free and dutiable under the Tariff Act of 1922 is 13.8 per cent and on dutiable items alone it is 38.7 per cent. Such average tariff rates have not been so excessive as to disturb the peace of the world, and conditions in general will not be greatly altered under the new law.

If the Tariff Act of 1930 does raise the average rate on *comparable dutiable articles* six to eight per cent higher than under the Act of 1922—from thirty-five per cent to forty-one or forty-three per cent depending upon what is done with lumber, shingles, cement, sugar, and silver—it is quite improbable that such an increase will disturb the friendly relations now existing between the United States and foreign countries.

On the other hand, building up the purchasing power of the American market may result in a further increase in imports of foreign commodities, such as followed the passage of the Tariff Act of 1922.

As American citizens, producers and consumers, we are all naturally hoping

for the most desirable results to follow the new tariff law.

CONCLUSION

In conclusion it may be pointed out that the world in general is enjoying quite peaceful international relations at the present time, though there is unrest in India and in a few other places. Modern methods of communication and peace-promoting activities like the Kellogg Peace Pact and the London treaty for the limitation of naval armament may consolidate the gains toward world peace.

Although international commercial rivalry is keen and all countries are using the tariff, commercial treaties, aggressive foreign sales policies, cartels, international banking, and every other legitimate means to further their own interests, often at the expense of competing nations, yet the peace of the world is sound and is not in danger of being upset at the present time, certainly not by the tariff and commercial policies of the United States.

Since most governments now represent the will of the people of their respective states, accurate information about the tariff and commercial policies of all nations, and the actual effects of those policies clearly fixed in the minds of all people, would tend to insure a happy solution of the problems arising from such policies. In a word, education is the best method of promoting world peace.

An American Economic Policy

By ALFRED PEARCE DENNIS, PH.D., LL.D.

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STRICTLY speaking, our national economic policy is neither national, economic, nor a policy. It is a patchwork of compromises, the resultant of jarring, conflicting, sectional interests. It is beyond our wit to reconcile the conflicting tariff interests of Iowa and Connecticut. We preserve peace in the family not by any hard and fast program or policy but by prescribing soothing sirups, pacifiers, bread pills, and mush poultices to such members of the family as happen to be in pain. We hear of farmers seeking relief, of the eastern Pennsylvania pig iron furnaces requiring tariff help, of shoe manufacturers in pain from Czechoslovak imports, but we hear of no broad program of relief for the entire people of the United States.

The precepts of economists are one thing; practices of business men, another. They do not always agree. Conflict arises between social welfare and individual interest. Individuals trade; nations do not. Government may artificially facilitate or obstruct trade. When foreign advantage conflicts with our national advantage, we know what to do. When sectional advantage conflicts with our national advantage, we do not know what to do.

In our tariff making, we have been compelled to subordinate the national interests to the demands of localities. We pay out about seven million dollars a year in duties on imported olive oil to protect a circumscribed district in California that produces less than 150,000 gallons a year, or about one and one-fourth per cent of our consumption. At one hundredth of the cost to the

consumer, we could give the California industry the same amount of benefit through an outright subsidy of seventy thousand dollars a year and at the same time promote better trade relations with the Mediterranean countries.

TARIFF RELATIONS WITH ITALY

The Italians owe us a lot of money. They cannot pay this debt in gold—they can only hope to pay in services or goods. We sell the Italians goods to the amount of 160 million dollars yearly as against the 100 million dollars' worth that they sell us. With an adverse trade balance of 60 million dollars, we raise our tariff against Italian olive oil, which we can never produce in large quantities in this country.

It has been suggested by certain economists that both countries might profit by freer commercial intercourse with one another. If we were living under a régime similar to Plato's Republic, we could probably do away with customhouses altogether. We live in an imperfect world; we have to deal with the actual rather than the ideal. Taking what is, rather than what might be, the dutiable Italian articles entering American ports have increased from fifty-five per cent in 1924 to eighty-three per cent in 1928. Only seventeen per cent of Italian imports to the United States are now on the free list. Our tariff is higher against Italian goods than theirs against ours; but it is well to remember that the goods we sell Italy are chiefly wheat, cotton, copper, mineral oil, and other raw materials. Italian takings of American manufactures are sparing,

probably not running more than ten per cent of our entire exports to Italy. It is quite a different picture from England's trade with Italy, which consists of manufactured stuffs rather than raw materials.

I am a protectionist and have no quarrel with the protectionist principle. It is the bridge that has carried us over. Protectionism has become the cornerstone of our national economic policy. The point is this: That the protective tariff is not a sacred principle but rather an economic policy to be carried out for the national interest. Viewed thus, it is a matter of pure expediency whether the duty on a particular article should be raised or lowered.

Another illustration: The other day a steel manufacturer put this question to me: "What is the sense in a high duty on manganese, a raw material essential to the production of steel, when we are producing in this country less than one sixth of our absolute requirements?" Providence in bestowing manganese upon this planet favored Russia, India, the Africa Gold Coast, and Brazil to the neglect of the United States. Raising the tariff on manganese will not put a pound of high-grade ore in United States soil. Here are some figures: We paid about six million dollars in duty in 1928 to force a production of forty-seven thousand tons, worth one and a quarter million dollars. Consumers of manganese were taxed about \$129 in duties for every ton of native ore worth, say, twenty-five dollars per ton, or an outlay of five dollars to produce one dollar. What is the answer to this? One argument is that the high duty stimulates prospecting for manganese and some day perhaps we may uncover deposits sufficient to supply our national requirements. The high duty on manganese ore affects the big republic to the south of us—Brazil.

ARGENTINE CORN

Our high duty on corn is an item that troubles the Argentinians. Since imports of foreign corn last year were only one fiftieth of one per cent of our national production, the present tariff of fifteen cents per bushel would seem to be fairly effective. Can this mere trickle of foreign corn be considered harmful competition? The dribblets of corn that do seep into this country from Argentina are particularly adapted for feeding pigeons and other small fowl. Argentine corn does not penetrate far inland but is distributed in such coastal markets as San Francisco and New York. Some of our Middle West corn producers object to the enguzzlement of Argentine corn by our seacoast pigeons and ask to have these dribblets of Argentine corn shut off. Congress, accordingly, has written into the new tariff bill an increase on corn from fifteen to twenty-five cents per bushel. This proposition does not appeal to the Argentine people, purchasing, as they do, animal and vegetable products from American farms to the extent of seventeen million dollars a year. Our sales to Argentina amount to about \$179,000,000 a year, of which sixteen million dollars represents agricultural machinery, much of which is used in the cultivation of corn. Producing a crop of nearly two billion bushels of corn, we appear to be as vulnerable to the intrusion of foreign corn as a soft-shelled crab. If every pound of foreign corn were absolutely excluded, would the general price level of American corn be raised in the domestic market? I trow not!

Argentina, by the way, has five major articles of export to the United States—flaxseed, corn, casein, beef, and hides. The present Congress has raised still higher the duties on flax-

seed, corn, and casein, and has put hides on the dutiable list. The fifth item, beef, is absolutely excluded under a ruling by the Department of Agriculture.

All trade, whether local, national, or international, is based on the exchange of the products of one man's industry and genius for the products of another man's industry and genius. Civilization and specialization of effort are correlative terms. I predict that we shall hear less and less of national self-sufficiency as we go on. We shall build as Nehemiah built the walls of Jerusalem. To one man he assigned the job of mixing mortar, to another laying the stone, to another carrying the spear, to another blowing the trumpet. Thus a man may say: "I can't mix mortar, I can't carry the hod, I can't lay brick, but Lord, I can *blow the horn*."

We have heard a good deal in the last twelve months of taxing bananas, which we cannot grow, for the purpose of selling more Oregon apples, which we do grow; of taxing Brazilian nuts, which we cannot grow, to sell more peanuts, which we do grow; of taxing Italian sheep's milk cheese, which we do not produce, for the sake of selling more Wisconsin cows' milk cheese, which we do produce. Also, in the interest of sound national policy, we shall hear less in future of taxing imported raw materials. I do not believe that any one would seriously contend that a tax on such raw materials as Egyptian raw cotton or Argentine hides is for the national benefit. We are getting a rebound, not so much from the unorganized consumers as from such organized industries as the cotton spinners, the tanners, and the shoemakers.

COMPETITION FROM SMALL IMPORTS INCONSIDERABLE

I call attention next to gold brick duties, which carry maximum irritation

to the foreigner and minimum benefit to our home people. I have already mentioned the increased duty on Argentine corn, of which the import is less than one fiftieth of one per cent of our production.

The new bill raises the duty on pork products, when the import under the old rate is only one twelfth of one per cent of our production. The higher duty on lard carried in the new bill destroys our microscopic import of lard from Canada. It was a mere border-trade, picayune business, which did not affect in the slightest degree the general price level of lard in the home market. We export 700,000,000 pounds of lard annually.

The new bill raises the tariff on eggs in the shell from eight to ten cents per dozen. The existing rate, eight cents a dozen, would seem to be rather effective, since we are importing annually—1927—only 286,000 dozen eggs, principally duck eggs from China, as against our domestic production of 2,162,000,000 dozen. This means one foreign egg to about 7,595 domestic eggs. The juxtaposition of one egg eater, one old woman, and one basket of eggs, constitutes an egg market. But suppose the old woman brings to the market not a basket of eggs but 7,595 eggs, or a truck load, and suppose this truck load of fresh eggs is confronted in the market by a single, venerable, pickled duck egg from China. Must the person marketing 7,595 fresh eggs cower before the single intrusive duck egg from the celestial kingdom? Will the Chinese duck egg break his market? Will it have any more effect on the market than a lighted parlor match would have upon the polar ice cap?

The mainspring of economic relationships is self-interest. Government knows no alchemy by which selfish instincts may be transmuted into golden conduct. But there is such a thing

as enlightened self-interest which scans as with a telescope the far horizons of earth. We shall have to look more and more to our export trade as a factor in national prosperity. Our present problem is not so much to make as to sell goods. Our 1,357 shoe manufacturers are geared up to produce nearly 500,000,000 pairs of shoes per year, but we can use in this country only about 350,000,000 pairs annually. Practically every big industry in this country is overbuilt to the needs of domestic consumers. If American industry is to continue to grow, we must expand our export trade. In this export business, we cannot sell briskly and antagonize briskly at the same time.

FOREIGN TRADE SHOULD BE CULTIVATED

The pending tariff bill carried a provision that would have increased the duty on narrow laces to as much as two or three hundred per cent of their value. We import laces from Japan, China, Italy, Belgium, and Ireland, with France the principal source of supply. The proposition to raise the duty on lace was about as agreeable to the French as a strong infusion of mustard gas. Shrill cries of protest were heard, and along with them an intimation that the French Government was about to put a retaliatory duty on American automobiles. Our total imports of lace are valued at twenty-two and a half million dollars; our exports of automobiles, at five hundred million dollars. Balancing expediencies, Congress refused to increase the lace duty. This action was in line with our broad national policy, which puts the good of the whole above the advantage of some particular part. I shrink from being a prophet of evil, but we are facing a poor outlook for foreign trade this year. We will find it more difficult to sell our wheat and our

automobiles abroad. Our total exports for March were 24.6 per cent lower than for the corresponding month last year.

In this connection, note that we have established about four thousand American branch factories in foreign countries, of which approximately two thousand have been set up in Canada. These branch establishments are of three types:

1. Establishments abroad to develop new business which cannot profitably be handled from the American end. Illustrations: Shredded Wheat, American Radiator, International Harvester. Such businesses do not necessarily displace our exports.

2. Establishments abroad that not only displace our exports in that particular country but in markets of other countries. The American Yale and Towne Lock establishment in England, employing American patents, supplies not only Great Britain but British colonial trade behind the protection of British colonial preference.

3. A third type of American establishments abroad not only displaces our exports in foreign markets but competes with us in our own market. Henry Ford's Fordson tractor manufactured in Ireland is a case in point. These tractors are exported to the United States.

Some advanced thinkers, alarmed at the flight of American industry to foreign shores, propose artificial checks upon the movement. But industry flows abroad in obedience to the same economic pull that draws tourists and commodities abroad. Industry consults its own advantage and is the best judge of what constitutes advantage.

SCIENTIFIC TARIFF-MAKING DESIRABLE

National economic policy which takes no account of international an-

tagonisms will have to reckon with hazards not only to American export trade but to American business abroad. I am not arguing for a renunciation of self-interest nor for a lowering of tariff walls, but I am pleading for the application of telescopic rather than microscopic methods to our tariff-making. The new tariff bill marks a big advance toward the substitution of scientific, fact-finding methods for haphazard, grab-bag methods.

Another step in advance is the correction of tariff injustices and inequalities under the flexible tariff provision. Injustices in particular tariff rates should be scientifically corrected piecemeal as they become apparent if

we are to build a sound economic policy into our international trade relations.

We are coming to a new conception of the economic solidarity of the localities within the nation, also of the economic interdependence of the diverse peoples that dwell upon the surface of the planet. In our trade with the world, we shall come to recognize more and more that we stand to profit by trading with, rather than against, our rivals. Probably not more than twenty per cent of our commerce lies within the field of destructive competition on either side. In time, we shall come to regard foreign peoples in the light of customers rather than rivals.

Our Economic Policy Toward Latin America

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NO great difficulty is involved in copying statistics of exports of shoes from the United States to Ecuador, of imports of coffee from Brazil, and of the distribution of American capital funds in Latin America as between loans to governments and commitments in private industry. Well-read persons know the broad outlines of these business facts. Analysis and interpretation are difficult, and while they must be based on statistics, they are far more important. In the present discussion, the salient facts about our commercial and financial stake in Latin America will be considered as known, and interpretation principally will be attempted.

To treat Latin America as a homogeneous entity, however, is as unfair as to discuss Europe in similar fashion. Some Latin American republics are stable and progressive; others are backward. Subsequent use of the expression "Latin America" is made with full knowledge that accuracy demands many reservations and explanations.

Far-reaching differences, amounting in some instances to antagonisms, unquestionably characterize many of the relationships between the United States and Latin America. Were this not the case, there would be no need for the establishment and careful nurture of organizations whose principal purpose it is to mitigate the impact of one civilization upon the other. Where fundamental similarity exists, there is little necessity of creating machinery for preventing distrust or enhancing friendliness.

Unfortunately, there has been a tendency on the part of both Americans and Latin Americans to assume that differences imply superiority and inferiority. As might be expected, each nationality appropriates the superiority for itself and assigns inferiority to the other. It has been customary for Americans to adopt a condescending attitude toward Latin Americans and to give them a considerable degree of latitude and even of encouragement in the rather harmless display of nationalistic egotism, while at the same time believing implicitly that the American philosophy of life and methods of procedure are so demonstrably excellent that they require no defense. Such an attitude has merely served to conceal a certain degree of envy on one side and contempt on the other.

No little hypocrisy has also been involved. While professing to scorn materialism, as typified by the United States, Latin Americans have assiduously attempted to emulate the very organization and procedure which have led to American material prosperity. On their part, Americans have proclaimed a warmth of affection for Latin Americans which finds no counterpart in sincere sentiment and have dilated upon their desire to render service to their Latin American brothers, when in reality business advantage has been the principal and entirely proper motive.

BASIS OF THIS STUDY

Points of departure for the present study are: first, that Americans are not likely to interest themselves in Latin

America except upon a basis of definite self-interest, and that the attitude of Latin Americans toward the United States will be based upon similar considerations, in spite of mutual protestations of more ethereal motives. Sentiment, in spite of its availability and attractiveness, cannot be accepted as a reliable foundation in developing a permanent economic policy between the United States and Latin America. Second, there will be frank recognition of the profound differences between Americans and Latin Americans, with equal acknowledgment that differences need not imply superiority on either side. Third, there will be no effort to avoid unfavorable conclusions in regard to certain Latin American characteristics and methods of procedure, merely because Latin Americans in the past have shown themselves to be sensitive to criticism.

Therefore, those material contributions which Americans and Latin Americans can make to each other will be explored, in the belief that clear understanding of this admittedly utilitarian approach constitutes the most promising foundation upon which to construct a mutually satisfactory economic policy between the United States and Latin America.

ECONOMIC CONDITIONS IN LATIN AMERICA

Many persons in the United States are inclined to visualize Latin America in terms of conditions in our own country. They fail to recall that the major part of Latin America is either in the tropics or is quite mountainous. Mere statement of these facts is sufficient, upon reflection, to suggest the types of economic organization which are likely to develop.

Whereas the American pioneer could by his unaided efforts establish a reasonably satisfactory economic unit

in the form of a farm, a store, or a small manufacturing concern, the individual in Latin America has ordinarily been submerged. Poverty is usually the lot of the independent peasant, and satisfactory economic status is seldom achieved except by those who can command the labors of others. The American pioneer who individually carved out economic independence from unappropriated natural resources has little counterpart in Latin America.

Of paramount significance in correctly appraising Latin America is the fact of poverty. It oppresses the major portion of the population and is accepted as one of the facts of life against which it is useless to contend. This is in sharp contrast to the American attitude, in which each individual considers that comfortable economic existence is within the realm of possibility and even probability.

Absence of an important middle class has also had a profound effect on the organization and the development of Latin American political and economic life. Large scale ownership of land has set the social pattern, although in recent years the influence of the cities has increased. But in general, the owners of large tracts of land have appropriated for themselves such political and financial advantages as the situation afforded. There have been wealth and privilege on one side, with poverty and disfranchisement on the other. A structure of this kind has inherent weaknesses, and they have exhibited themselves in many directions.

Latin American economic and social organization, with its principal characteristics of poverty and privilege, has had important political effects. Government has been by and for the few. Personalities rather than principles have dominated political action, and a quasi feudal organization of government has been the rule rather than

the exception. Republican institutions have existed largely in name.

CONTRASTING BUSINESS MOTIVES

So far as economic motives can be reduced to generalizations, there is apparently broad divergence between those which actuate Americans and those which dominate Latin Americans. Ordinarily, a successful American business man wishes to become more successful, and his activities are intensified in accordance with the scope of his financial importance. There is no limit which he places upon his desire for wealth, responsibility or power. He views with repugnance the possibility that he may at some time be forced to give up his active business life.

In contrast, the objective of the ordinary Latin American business man is to attain sufficient wealth that he may retire from work and reside in Paris. Furthermore, there is a distinct tendency for the typical Latin American to wish merely to acquire wealth instead of to produce wealth. For this reason, government service, lotteries, and various highly speculative ventures appeal to a much larger percentage of the population in Latin America than is the case in the United States.

As to contractual obligations, the American concept is that they must be met, even if personal disaster is involved. A business man who has disregarded the spirit, not to speak of the letter, of contractual obligations has no standing in responsible American circles. Many Latin Americans are inclined to treat obligations with less seriousness. They are contracted somewhat lightly and disregarded in the same manner.

This statement does not imply that the American system is correct and the Latin American is wrong. They are

different, and this must be recognized when Americans undertake to do business in Latin America.

Instances in which Latin Americans have entered into contractual obligations with the purpose of disregarding them are probably as rare as in the United States—possibly more rare. But if obligations become onerous, the Latin American finds it somewhat easy to convince himself that default is justifiable. Business and social stigma is not attached to default; even Latin American governments have not exerted as great effort to observe obligations as has been considered appropriate in accordance with present-day American standards. In extenuation of this attitude, it must be admitted that circumstances surrounding certain financial enterprises, notably government loans, have been such that repudiation has not involved great moral obliquity.

This rather detailed background has been presented in the belief that constructive American policy cannot be formulated without comprehensive understanding of the people with whom we are to deal.

Semi-feudal organization has discouraged individual effort toward utilizing the undeniably extensive natural resources of Latin America. Moreover, the inclination of those with wealth and position to prefer immediate returns to capital commitments which will be productive only after the passage of many years has profoundly influenced the ownership and the utilization of resources.

Agriculture with its annual crops, domestic trade, government service, and salaried employment have claimed the bulk of Latin American population, capital, and effort. Such enterprises as the construction of railroads, irrigation plants, plantations which require a long period of waiting before

coming into production, and the development of mines have largely been left to foreigners or to the government.

Recognition of this fundamentally different economic procedure from that which seems normal for us is another important fact in gathering materials for formulating sound American policy toward Latin America.

POLITICAL ORGANIZATION

Partly because of these conditions, the political organization is built about personalities rather than on principles. Local leaders become popular because of personal traits rather than because they advocate specific economic, social, or political policies. This is made easy and probably inevitable because of the high proportion of illiteracy which prevails in most Latin American republics.

Practical experience demonstrates the futility of hoping that persons who are unable to read and write can discriminate among various policies which may be enunciated by formal political parties or advocated by candidates for office. In fact, illiterates are usually unable to comprehend any political doctrine at all, and their support of one candidate rather than another is a matter of pure vagary, except as they are influenced by extravagant campaign promises of benefits which are easily understandable but which are recognized as completely chimerical by persons of political and economic judgment. Jingoism, personalities, resounding but vacuous promises, and colorful but irresponsible leadership are too frequently the outstanding characteristics of Latin American politics.

Because a campaign of personalities is far more exciting than one of principles, and because it is quite simple to generate and utilize mob spirit in illiterates with the voting power, Latin American political organization readily

lends itself to violence. Not only are strong-arm methods the rule rather than the exception at elections, but they may later be invoked by the defeated and disgruntled against those who have obtained office.

Office and opportunity for personal gain are too frequently considered as synonymous. Historically-minded persons realize that customs of long standing, accepted by the majority of a society, offer no proper ground for indictment of the individuals who practice them. Hence, we should consider the corruption which undoubtedly exists in a major portion of Latin American administration as calling for treatment merely as fact rather than as requiring moral judgment from us, whether favorable or adverse.

DISADVANTAGES

We are entitled to reach the opinion, however, that these forms of political organization and procedure lead to definite economic results which are unsatisfactory. They involve inefficiency and instability on the part of the government and retarded economic progress on the part of the population.

Reduced to concrete terms, governmental officers are likely to be improvident in the expenditure of revenue and to resort to foreign loans without adequate justification. Funds taken from the citizens by taxation are not productively employed, and indebtedness is increased which is at best an economic drain and at worst a cause of international complications and even loss of sovereignty.

Since the populations of certain Latin American republics do not obtain full benefit from funds which flow into the public treasury, either in the form of taxes or foreign loans, they are at a disadvantage as compared with those countries where similar defects do not obtain. As a result, growth of

local capital is retarded, and added impetus toward foreign borrowing is created.

Moreover, dearth of local capital gives opportunity and even invitation to foreigners who are able to accumulate wealth under more auspicious circumstances to become possessed of those natural resources in Latin America which the local populations, because of inefficient governments and ineffective economic policies, cannot hold and develop for themselves.

That the expectations of theory have been realized in practice is quite evident in the financial structure of Latin America, both governmental and private. Lack of local capital for meeting loan operations of the several governments has forced these loans abroad, and it may also be suggested that such local capital as exists has insufficient confidence in its own government to be available for treasury requirements. With few exceptions, the Latin American republics have borrowed almost to the present limit of their credit. This has been in times of peace and without the urge of economic or social disaster. Hence, little credit, either domestic or foreign, is in reserve for times of emergency. Perhaps this is the principal weakness of governmental financial policy.

So far as private enterprise is concerned, few Latin American corporations have reached sufficient size or maturity to command large scale financing. This is because local funds for investment in industry are deficient in amount and suspicious of local management. Foreigners are unlikely to make large capital commitments except upon the basis of complete or partial ownership and management.

For these various reasons, we find that the distinguishing characteristics of governmental finance in Latin America are dependence upon foreign loans and

the existence of relatively heavy foreign debts. Private financial structure is characterized by foreign ownership and management of many principal sources of raw material, commercial enterprises, transportation systems, and public utilities.

BORROWERS VERSUS LENDERS

This situation has had numerous unwholesome results. Borrowing governments have been charged with becoming subservient to their foreign creditors. Chauvinists have not been slow to utilize the possibilities for their own political advantage. This is the basis of considerable ill will in Latin America toward the United States, and the growth of anti-American sentiment in the past has been roughly commensurate with that of our loans. No creditor is popular in the eyes of the debtor. Even loans which have been made on equitable or generous terms, usually at the urgent solicitation of the borrower, and expended for productive purposes, must be paid. In the minds of ignorant borrowers, this in itself is adequate cause for resentment against the lender. This condition is now improving.

Insufficient consideration is given to the fact that governments cannot be forced to borrow but do so of their own volition. The critics are silent on the facts that Latin American governments rather than foreign bankers ordinarily initiate loan negotiations and that more applications for loans are refused than accepted.

In numerous Latin American quarters as well as in our own country there is apparently the belief that underwriting and distributing houses for foreign loans retain possession of the bonds which they purchase from Latin American governments. These houses are visualized as rich and powerful institutions, and it is easy for the pover-

ty-stricken Latin American taxpayer to consider himself as the victim of opulent oppressors, whereas in reality he has had the benefit of industry and thrift on the part of some individual in the lending country who has both legal and ethical right to repayment of principal and the annual receipt of an interest return commensurate with risk, current money rates and other relevant factors.

It is necessarily distasteful to Latin Americans to see a large proportion of their most important enterprises both owned and operated by foreigners. This was the case in the United States during certain periods of our history. Looking back upon the effects of foreign financial interest in many American industries, notably railroads, most students have reached the conclusion that the borrowing country has benefited more than the lending country.

Not only were risks taken and losses incurred by foreigners who placed their funds in the United States, but the United States undoubtedly obtained a far greater rate of return on borrowed capital than was paid to the foreign lender. This margin remaining to the borrower has shown a pronounced tendency to increase both absolutely and relatively.

In consequence, there is much truth in the statement that the United States to a considerable extent became rich on other people's money. The proportion of total wealth in the United States owned by foreigners has shown a persistent tendency to decrease and is now of no great importance.

LOCAL ENTERPRISES DEVELOPING

There is no reason to doubt that a similar phenomenon will characterize the unfolding of Latin American economic life. Already the more devel-

oped republics are regaining control of certain assets or activities which were formerly in foreign hands. Domestic wealth is unquestionably increasing more rapidly than foreign loans and investments.

The process is somewhat as follows. Foreign investments involve the utilization of local resources and the hiring of local labor. Net increase in wealth occurs. Part of that wealth necessarily remains in the country. The part accruing on foreign account is more frequently exported than reinvested. Hence there is a tendency for domestic wealth to become relatively more important as compared with the foreign commitment.

As the foreign enterprise continues in production, Latin Americans acquire skill and obtain increasingly responsible posts. Some exercise the necessary self-control to accumulate capital as well as the requisite skill to manage capital effectively. The next step is for such persons to take an interest in the foreign enterprise or to establish industries of their own.

As locally owned and managed enterprises have numerous advantages over these financed by foreign capital and managed by foreigners, assuming equal technical ability and financial strength, there is a pronounced tendency for local wealth to increase at a higher percentage than foreign loans or investments. In short, a process of nationalization of industry and finance takes place.

This is one of the most comforting features of international finance. Not only does it mean that foreign loans and investments tend to become more secure, thus avoiding international political complications, but it also implies that the productivity of soundly conceived commitments creates or develops in increasing degree the sources of wealth which will assure the ultimate

repayment of the loans or the ultimate passing of foreign investments into local hands.

OUR FINANCIAL COMMITMENT

That the United States has a profound interest in the political and economic organization of Latin America becomes evident by mere statement of our financial commitment. At the end of 1929 it was estimated at \$5,700,000,000. In amount this is equal to the value of all real estate in such states as Indiana or Wisconsin. It may be properly considered as adding the value of another important state to the American Union.

British investments in Latin America are roughly equivalent to our own. There has been some tendency, however, for greater emphasis to be laid by Americans on loans to Latin American governments, such loans approximating one-third of the total, while the British have been more definitely interested in acquiring ownership of Latin American natural resources and industries, particularly railroads.

Undoubtedly, this difference in policy between American and British investors is based on the longer experience of British capitalists with foreign investments and the fact that loans to governments are far simpler than the organization and the supervision of industrial projects. Our own policy has unquestionably been shortsighted. Such instability has characterized most Latin American governments that the risk involved in making loans to them is comparatively great. This is reflected in high interest rates. Furthermore, the ultimate financial possibilities in a government loan are payment of interest and repayment of principal according to the terms of the contract.

On the contrary, ownership of natural resources and the establishment of local industries and commercial en-

terprises by foreign capital offer opportunities limited only by the possibilities of the countries themselves. Using the United States as a fair comparison, no statistical evidence need be presented that those who lent money to the government—Federal, state or local—have fared less favorably than those who obtained an equity interest in the natural resources of our country and the energy and the intelligence of our population.

Few competent students doubt that conditions in Latin America offer a close analogy. Hence, an intelligent American economic policy should be based upon participation in the industries of our sister republics rather than upon loans to their governments.

REQUIREMENTS FOR SUCCESS

Objectors to this doctrine will immediately reply that the percentage of failures in Latin American industrial projects is high. Such reply is convincing only if it can be demonstrated that disaster overtakes soundly devised enterprises, adequately financed and efficiently managed. Considered from this point of view, misfortunes to Latin American enterprises are probably not greater than those encountered in the United States. Usually, lack of knowledge of local conditions, insufficient capital, poor selection of industry or location, extravagance, and incompetent management afford ample reason for such fatalities as have occurred.

There is restricted opportunity for investment of American capital in Latin America on a small scale. Unless an enterprise is large enough to command management of the highest class, which is expensive in Latin America, success cannot be reasonably assured. Natural conditions frequently require that business units in Latin America must be on a larger

scale than those in the United States. They often require longer periods of time for effective development. This involves greater financial resources. Where these factors have been recognized in advance, not only have results been satisfactory, but probably more generous percentages of profit have been obtained than on similar commitments in the United States.

A suggestion may be made as to a promising course of procedure. It is to apply the holding and finance company idea to investments in Latin American enterprises. Not unnaturally, there is some local antagonism on the part of Latin Americans toward foreign establishments. This constitutes no indication of narrow-mindedness or shortsightedness. It is a natural phenomenon. Furthermore, legislation or administration in certain Latin American republics favors domestic corporations, as contrasted with those incorporated abroad or managed by foreigners. Finally, there are numerous enterprises at present owned and managed by Latin Americans which have insufficient capital for economical production and distribution, and which do not command that degree of managerial technique which assures profitable production.

Frequently, these enterprises enjoy goodwill of a high value. Hence, participation by an American holding company which would supply adequate capital and remedy the deficiencies of management would probably show gratifying results. In two important instances, this method has been put to a test and has proved eminently satisfactory.

Aside from the advantage of participating in an established undertaking as contrasted with organizing a new business, the foregoing method permits much wider distribution of risk and makes American coöperation pos-

sible in businesses which would be too small to warrant the installation of foreign managerial staffs.

In the case of a holding company, it would be possible to place a representative or representatives on the boards of directors of local companies and, even in the absence of control, to exercise sufficient supervision over expenses, accounts, and business methods to give full protection to the foreign investment and also to increase the margin of profit, while retaining the advantage of operating as a domestic concern.

A BENEFICIAL POLICY

Whatever method be adopted for applying the doctrine, there is little doubt that the interests of the United States and of Latin America as well will be served by giving less attention to loans to governments and by increasing the investment of American capital in Latin American industries and natural resources. Since a country must be prosperous before business within it is profitable, systematic concern should be exercised to insure Latin America definite advantage from the investment of foreign funds. This eliminates companies which are founded or operated on tax exemption or evasion, on exploitation of ignorant and helpless labor, and on contracts or concessions which have been obtained by fraud or have manifestly taken advantage of inexperience on the part of the issuing governments.

It is pleasant to be able to report that most of the larger American enterprises in Latin America are considered as definitely beneficial to the countries in which they operate. They have contributed in no small degree to the phenomenal advance in all phases of modern existence which has occurred throughout Latin America in recent years. Usually they pay higher wages, furnish better working conditions,

and operate more efficiently than do domestic corporations.

There is no means of determining whether American investments in Latin America have shown higher or lower rates of profit than equivalent sums invested in our own country. Even if they should show a lower direct percentage they would still be definitely desirable because of their influence on commerce with the United States.

Exports from this country to Latin America amounted to about \$975,000,000 in 1929. In spite of commodity price declines in several Latin American republics, with resultant decrease in purchasing power, this represented an increase of approximately \$100,000,000 or ten per cent over the total of the previous year. Almost one fifth of our exports, 18.57 per cent to be exact, went to Latin America, and our imports were even more important, amounting to 25.16 per cent of the total, with a value of \$1,100,000,000. Both in value and in relation to total foreign commerce, imports from and exports to Latin America increased during 1929.

Whether the manufacturing and shipping profit on this important volume of imports and exports was greater or less than interest and dividends on American investments in Latin America cannot be computed. It is certain, however, that without the investments, the commerce would have been radically restricted.

EFFECTS OF AMERICAN INVESTMENTS

In the first place, these investments in considerable measure enabled the Latin American countries to produce the merchandise which resulted in exports of \$1,100,000,000 to the United States during a single year, and provided the purchasing power for obtaining almost a billion dollars worth of our merchandise.

These investments also created a definite demand for American products as distinguished from those of other countries. After a factory has been equipped with American machinery or a railroad has adopted American rolling stock—and this is usually the case if the capital for the enterprise originally came from the United States—a permanent demand is created for American supplies and replacements.

Not only have our investments and loans added to the wealth and the purchasing power of Latin America by financing enlarged production, but governmental policy in the United States has assisted Latin America to realize fully on such production. For special reasons, preferential treatment has been accorded to Cuban products; otherwise, the United States has granted most-favored-nation treatment to Latin American products which seek to enter this country. In fact, seventy per cent of our imports from Latin America pay no duty whatever.

Admitting that the policy of according free entry to most Latin American products is due to the circumstance that they do not compete with our own and because it is to our advantage to obtain raw materials and foodstuffs as cheaply as possible, the policy is nevertheless generous in so far as it affects Latin America, and Latin America has profited accordingly.

This policy is in contrast with much higher average rates of duty which are imposed on exports from most other parts of the world to the United States. Too little attention has been paid to this situation. Our treatment of Latin American imports is also in sharp variance with the comparatively high rates of duty which are collected on American products entering the Latin American republics.

AMERICAN GOODS IN DEMAND

Our commercial relations with Latin America are on a more satisfactory basis than our investments, notably our loans to governments. This country has distinct advantage in producing many types of commodities which are especially adaptable to Latin American requirements, such as automobiles, office equipment, electrical supplies, agricultural implements, low-grade textiles, lumber, and certain kinds of foodstuffs, especially canned goods.

So far as can now be foreseen, these commodities will be in great and increasing demand. While salesmanship is necessary, no rare merchandising skill is required for disposing of large quantities of American goods. There is little opportunity for serious loss, at least upon a scale commensurate with that which arises from poorly conceived investments.

Imported merchandise also encounters less local antagonism than do foreign capital funds, whether in the form of loans or investments. Merchandise is ordinarily distributed to the ultimate consumer through domestic channels, whereas loans and investments frequently involve foreign personnel.

Because of the distinct tendency of international commerce to assume a north and south direction in recent times, due to climatic, seasonal, and other pertinent factors, there is every likelihood that trade in both directions between the United States and Latin America will continue to expand. That it should be encouraged rather than handicapped seems to require no proof.

Nevertheless, the legislative branch of the American Government apparently considers it timely to propose tariff action which is likely seriously to cripple our important trade with Latin America as well as with other parts of

the world. If this occurs, purchasing power in foreign countries will be adversely affected, to the detriment of our export trade.

Resentment against the United States is being generated, and it is justified. We are apparently willing to sacrifice the interests of our customers and of our suppliers of raw materials and foodstuffs in a narrow-minded scramble for immediate gain. Ultimately, we shall suffer for this kind of shortsightedness, and we deserve to suffer.

HINDERING FACTORS

American investments have not made as large a contribution to the wealth and prosperity of Latin America as might have been possible. This is because artificial restrictions in the form of legislative and administrative regulations have been imposed by Latin American governments. In numerous instances, what appear to have been conscious efforts have been made to levy discriminatory taxes, to promulgate onerous restrictions and otherwise to harass foreign enterprises. Knowledge that these tactics might be expected has deterred much foreign capital from going into Latin America and has caused much of what did go to be only partially productive.

An additional retarding influence has been lack of confidence in the Latin American judiciary. Leaving aside a rather well-founded belief that Latin American justice can frequently be purchased, competent observers are virtually unanimous in the opinion that the foreigner, by reason of being such, is at a disadvantage before Latin American courts.

Uncertainty of obtaining loyal and vigorous representation by local agents or attorneys constitutes one of the principal reasons why certain American financial institutions have insisted

that their own nationals be installed in the financial organizations of Latin American governments or enterprises to which loans have been made.

What special protection, if any, should the United States accord to investments of its nationals in Latin America? At present, the Department of State is consulted prior to the conclusion of loans to governments, and while it does not pretend to pass on the business merits of proposed loans, there is little doubt that both the borrowing country, issuing banks, and individuals to whom the bonds are ultimately distributed, all feel that a semiofficial flavor attaches to the operation. Supervision was inaugurated in order that American bankers should not take action which was out of harmony with the international policy of the United States.

In actual practice, supervision has had little favorable effect. It has slightly inconvenienced financial houses of experience and integrity and has done little else. The practice has also created some ill will in Latin America. Disadvantages have outweighed benefits, and supervision by our Government forms no proper element of a sound economic policy on our part toward Latin America.

Protection of loans and investments by military and naval intervention will doubtless be less widespread than in former years. A like statement can probably be made for protection through financial advisers and financial commissions. As wealth increases in the several Latin American republics, stability also becomes more prevalent. There has been no case of military intervention by the United States except in connection with serious disorder. Currency and fiscal systems for most Latin American republics have now been adjusted to modern standards, and "money doctors" will consequently be less in demand.

LATIN AMERICA'S CHANGED ATTITUDE

With expansion of wealth and development of responsibility, there has occurred a significant change of Latin American attitude toward the United States. In all parts of the world, persons with property have approximately similar reactions to given facts. Those who have acquired wealth understand that capital is useful to a country, whether it be supplied by domestic or foreign sources. They also recognize that creditors and exploiters are not necessarily synonymous.

Latin Americans with wealth or education begin to inquire why the United States is relatively more prosperous than their own countries, and seek to adopt the forms of organization, both political and economic, which have produced the results which they themselves desire to obtain.

Adversity is always a teacher with authority. Now that many Latin American governments and industries are finding difficulty in floating foreign loans, in attracting foreign capital, and in finding a market for their products at satisfactory prices, a pronounced change in attitude toward those with capital and purchasing power has occurred. Even legislation adverse to foreigners has in some quarters been rescinded or is in course of modification.

To summarize, effective American economic policy toward Latin America should be recognized as based on self-interest. However, self-interest should be interpreted along modern lines. Our trade cannot prosper unless Latin America is prosperous. We cannot sell unless we also buy. We can contribute substantially to Latin American purchasing power by well-considered investments, but unless these are profitable to both parties, they will fail in their full usefulness.

We can refrain from encouraging Latin American governments to borrow improvidently and can give financial and technical assistance in the utilization of local resources. We can restrict political activities to our own country and permit Latin Americans to manage their own governments, except in so far as they make formal request for technical guidance from us.

We can use our influence in developing democracy and education, with the certain knowledge that these will serve

better than marines as protection for our loans, our investments, and our trade. We can recognize that amity is essential to satisfactory business and that amity can be permanently based only upon fair dealing.

We can, in short, conduct our financial and commercial relations according to those principles which have shown constructive results in the better sense in our own country, with full assurance that similar results will attend their application in Latin America.

The Basis of International Coöperation

By NORMAN THOMAS
New York City

I HAVE been very much interested in Mr. Dennis's¹ description of his position as a Democratic protectionist who believes in using a telescope instead of a microscope for the application of protection. The idea strikes me as rather good, for I think that most protectionism is so ignorant that even its enlightenment means progress. However, I am not sure whether or not it is possible to get a telescopic protectionism that is adequate to the problems of an interdependent world.

Likewise, I have been very much interested in Dr. Cumberland's² American economic program for Latin America. If I understood it correctly, it was an exemplification of that ancient text that it is not wise to kill the goose that lays the golden egg. It was a homily on that more modern slogan, "Milk from Contented Cows." That is to say, a certain care about the feeding and the driving of Latin American cows will result in a rather richer product than will be gained otherwise, and marines do not necessarily make the most attractive milkmaids.

I was brought up on the Alger books, which taught that if one was good and worked hard, he would succeed. That was a stock intellectual ration for Americans until we turned to racketeering, instead. I still like to believe that if one is good and works hard, he will be successful; but I wonder whether or not we can trust some people to apply in Latin America the same methods

that they have applied in North America, and still produce "contented cows." To be specific, I have never been quite sure that Messrs. Doheny and Sinclair would follow in Latin America the policies outlined by Dr. Cumberland, which do not resemble the methods they applied at home; and I have never understood why we should have a degree of confidence in them or give them a degree of support which even the Supreme Court saw fit to deny them in relation to our own country.

THE WORLD AS A UNIT

These expressions of doubt are germane to this question which is extraordinarily difficult. This is a world where we are, in the strictest sense of the term, interdependent. The growth of machinery and of specialization necessarily make us think in world terms, or of the world as a unit. Peace is obviously a matter, then, not merely of an American economic program, for the benefit of America as opposed to Iowa or Pennsylvania or some other place, but a matter of such political and economic conditions in the world that there is reasonable hope of that kind of good will from which peace comes. We are, therefore, under a very high obligation to think in terms of a planned economic order which is world-wide in scope.

But when it comes to applying this truism, that is another story. There are sectional lines, there are national interests, there are all sorts of inherited prejudices and ideas which we carry around with us. Our economics gets all mixed up with our psychology. For

¹ See "An American Economic Policy," in this volume.

² See "Our Economic Policy Toward Latin America," in this volume.

instance, the doctrine of an American program as applied to the tariff finds some difficulties because of sectional differences. But imagine how hopeless the task would be if there were no national psychology! If the states had the power to write tariffs, your eminent statesman, whom I am afraid Pennsylvania does not appreciate as it ought to, that real scientist in tariff, that maker of your true American policy, Mr. Joseph Grundy, would, I am quite sure, favor as strong a tariff for Pennsylvania against New York and other outlying regions as he now favors for the United States against the world. You see, it is not just a matter of economics, it is a matter of one's organizing notions of the object of one's loyalty.

STRUGGLE FOR WORLD MARKETS

Observe, moreover, that we have a world where capital is becoming international without being able to shake off nationalism. What happens is that Mr. Ford takes his plants abroad and, if conditions are favorable, produces abroad materials to be shipped back to America. But at the same time, if not Mr. Ford, then other manufacturers are continually talking to the workers in terms of nationalism, pure and simple. And we get certain very strange combinations of ideas and realities.

Again, suppose we consider an American economic policy to be primarily a matter of America's grabbing the world markets—doing it politely, of course, doing it scientifically, whatever that is, doing it with a minimum of offense, because, after all, you do trade better with people if you do not slap them in the face. It must not be forgotten that this is an enterprise shared by a great many other nations, who also strive for world markets by the same means. All of them are acting under

rules in which the government helps its nationals with tariffs, with favoring legislation, and, on occasion, given the proper sized country, with those great foreign missionaries, the Marine Corps of the respective lands. How shall each nation keep up that policy and avoid strife?

In what I have just said, I am not, of course, advancing that ridiculous economic heresy that there is a static amount of wealth. I am not denying that a proper trade in the world furthers increase in wealth. It is not I who have denied that, but the nations themselves by their programs and policies, by their restrictions and tariffs. Now, if we were men who had just come to this planet from Mars, I am quite sure that we would never dream of proposing as an American or any other kind of economic policy one so completely directed simply to the glorification or aggrandizement of one group. We should say: "Let these humans plan in world terms, for world use rather than for private profit."

But practically, not the most idealistic, nor the wisest and the most logical among us can do that, as if we were proceeding from a fresh beginning. Actually, we have to take account at all times of the sentiment of nationalism, of national organization and its effect upon economics, of very great differences in degrees of economic advancement and culture in the world, and of all the other circumstances that make our social life a pretty tangled affair. In many cases the train has gone too far along the wrong track for us to suppose that it can jump over to the right track by any kind of miracle. There is a job of reëducation and re-planning to be done.

CHANGED VIEWPOINT NEEDED

It is impossible for any of us to be saved simply by a right point of view;

but we cannot be saved *without* a right point of view. I want, therefore, not in the name of idealism but in the name of what I think is practical common sense, to argue that a change in viewpoint is necessary for an American economic policy or a world economic policy that makes for peace.

I do not know how changes in popular viewpoints come about, but they do come about. Such changes were necessary to make possible the United States instead of thirteen correlated states, each of them desiring to levy tariffs upon the others. A change of viewpoint was required to establish any of our greater nationalisms as opposed to the feudal loyalties that preceded them.

Further, these changes in our thinking make things possible that are otherwise quite impossible. For instance, under the impulse of the tremendous fears and hates of the war, we were able to work out in a rough fashion all sorts of coöperation for the sake of victory that would have been said to be quite impossible for any less compelling motive. I believe that if we are ever going to manage our world at all adequately, it will be because, for the sake of peace and of world well-being, some new sense of larger loyalty shall come to men, so that nationalism shall not be the entire content and aim of our thinking, and the national state shall not be a kind of god above the moral law, as it is assumed to be in practically every national economic program.

For example, when American workers see pictures or read stories of twenty thousand Frenchmen parading against a proposed American duty on lace which might mean for them starvation, I hope that the reaction will not only be, "Ah, but think of our automobiles!" I hope that it will also be, "Ah, but the French also are human!"

There is no justice when the law of one country can, over night, reduce workers in another country to the verge of ruin. Nor does peace lie that way. I do not mean that wars arise directly out of tariffs. The problem is not quite so simple as that. I mean that such a condition does not give us a basis of international good will and mutual understanding which would give one confidence to hope that the workers with hand and brain who make the wealth of the world would get real peace.

Peace requires that we shall have to develop all understandings between the workers of the world with hand and brain, and a way of looking at our problems as if they were common problems in the world.

TARIFFS

From philosophy let us turn to a program to carry it out. First, to sum up what I have said or suggested about the tariff: I agree largely with what Dr. Dennis has told us. I also am somewhat hopeful about the future of tariff tinkering. The attempt in America to make everybody prosperous by subsidizing everybody is likely to educate us in the futility of that method of obtaining prosperity.

I think that the growth of our foreign trade will automatically tend to curb the zeal of protectionism. I think another frame of mind may be developed in those Democratic and supposedly progressive senators from Montana who exploited Montana manganese ore very quickly for the sake of the greater glory of that state, in spite of the fact that it meant the exhaustion of one of our inferior resources. But I do not believe this can be accomplished entirely by talk about telescopic protectionism. I believe it might also be well to mention those horrific words, "free trade," again.

Now, let no old-time free trader applaud too soon. I do not think it is possible, in our type of world, to talk about free trade purely in the terms of Richard Cobden. I think that in a planned economic order, such as that to which we are coming, it is quite impossible to imagine that automatic processes of what was narrowly known as free trade are sufficient to carry us through. Nevertheless, the planning I want is necessarily that which takes account of workers in the world instead of in one given country, and which realizes that in the long run there is something very dangerous and impossible about the attempt to build Chinese walls about one favored group of workers, and let the rest of them go hang in their own way. They do not do it; they usually hang us sooner or later. Hence the need, which I am sorry to say Mr. Matthew Woll, of the American Federation of Labor, has notably overlooked, of encouraging the work of a Labor Office in the hard task of raising labor standards in Asia and elsewhere.

AMERICAN INVESTMENTS ABROAD

The second point in an economic program must deal with American investments abroad, and especially in Latin America. I am not at all of the opinion that, given our present society, we ought to try to keep American capital at home by law. If we really believe that the world must be developed as a unit, that kind of nationalism, however well meant, will not work.

At the same time, no good comes to Latin America or Africa or Asia or to ourselves when the export of capital and goods is carried on under a feverish and frantic urge of a group of profit-takers to get the maximum returns on their heaped-up profits. The trade that means the supply of human needs

and the enlargement of human resources is one thing; the trade which comes because of a comparatively small group which under our capitalistic system has heaped up its profits, a group which therefore demands the largest returns, perhaps no longer to be found at home, is another thing.

This latter type of trade is often blocked by tariffs, and this causes men to look to weaker countries which have not the power, legal or economic as the case may be, to put up such tariff walls. Therefore we see frantic races to secure valuable natural resources before some other strong nation may get them. A race, carried on at that feverish pace, is not a wholesome sort of race.

The task of Ramsay MacDonald and Philip Snowden and the rest in England would be easier if the prosperity of England had not depended for so many generations upon the shocking differential between wages and profits in imperial Britain. Mark you, I am speaking even within the scope of the present capitalistic order when I say that. After all, the prosperity of every country rests upon consuming power in the hands of the workers themselves. The fact that certain owners of profits enter successfully into the frantic race to develop trade and to acquire resources quickly in Latin America or elsewhere does not compensate for lack of consuming power in the hands of workers here at home. Hence the bearing of our internal economic policies on an external economic policy for peace.

TAXATION

For instance, consider taxation. I remember a while ago, when we were all going to be made prosperous by knocking off the taxes on the rich. You will recall that if the rich were not taxed so much, they would invest more

here and that would give the rest of us jobs. Certain commentaries on that theory have been written in Wall Street and elsewhere within recent years or months. Nevertheless, that theory was applied by the present Congress, Democrats as well as Republicans concurring, in the astonishing form that in time of emergency the way for the poor to be prosperous was to knock one per cent off the income taxes of the well-to-do and the rich. The program of taxation ought at all times to be directed to keeping consuming power in the hands of the workers, and in emergencies it should be used for collecting those funds which may be necessary for social insurance and other remedies for such desperate diseases as ours are at present.

This policy of increasing consuming power for the masses and of building up economic well-being at home, which is not for a minute inconsistent with a wise foreign trade, is nevertheless inconsistent with the notion of putting mighty efforts of our Government behind the task of atoning for mismanagement at home by grabbing markets abroad. It isn't a very durable form of atonement, for one thing; and as I have previously suggested, it may lead to worse conflicts than we now have, particularly when you add to the philosophy of nationalism in economics, the hypnotism of a patriotism which makes most of us ready to die for somebody else's profits, provided those profits are outside of our own country. No, that is an exaggeration, and only capitalists can be permitted to exaggerate. What I mean is this: A patriotism that makes most of us willing to have *somebody else* die, especially if he is in the Marine Corps, where they enlist for the purpose of seeing one world, and may see two as a sort of good measure.

Capital is mighty enough to protect

itself without marines. I was pleased to hear Dr. Cumberland say that he thought in the future we should not need to use the marines quite so much. That was good news, and I hope true news. But in order to make it true, I would stand for the principle that there should be no public collection by force of arms of private debts, even in marine sized countries, and even if the debtor nation had been a little careless here and there. When I think of all the carelessness that there has been about debts in America, and all the shearing that has been done in America without calling out the police, I cannot see why so different a code should apply abroad. I should like to make it quite emphatic that an American economic program looking to world peace is a program that forbids not merely imprisonment for debt but execution for debt, even in Haiti. This is, I think, one plank of some importance.

INTERNATIONAL MACHINERY

The next thing that seems to me in order is that there must be a great deal more imagination than we now have, and better international machinery for strengthening international relations. Dr. Cumberland hinted at the possibility of services in education and other fields in Latin America, which may be works of godliness which are profitable not only for the next life, but for that which is right now. I believe that is true, and I think there is more to be done along that line than we have believed. In order to carry out that idea, however, we shall have to come into a far wider international coöperation than we now have. I cannot conceive how we are going to do any of the things that I have been suggesting to you so long as our attitude is that curious combination of unreal isolation and self-righteousness, of smug

consciousness of moral desires and grave suspicion of others' immoral desires.

We are so far from isolated that we are rapidly acquiring a great part of whatever property there is in the world that is worth acquiring. This "we" is in a sense a courtesy "we." I do not assume that you all have this property. I mean we Americans, some of us vicariously, you might say, are doing this thing. Now, these stocks and bonds are a great deal harder to tear up than most treaties; you know that. Therefore, we are anything but isolated. But being practically tied up with the world, we wrap around ourselves the cloak of tradition and self-righteousness, possibly also the mantle of suspicion of those clever Europeans who are always "doing" us, and say, "We have got to go our own way, we just cannot trust even so much as a World Court." The people of Illinois, by the application of \$225,000 where it would do the most good, are said to have decided in a senatorial primary that we must not trust a world court. It does not seem to me that it is a wise economic policy that thus goes in for a sort of international anarchy, however well-intentioned some of its advocates may be.

PARTICIPATION IN LEAGUE OF NATIONS

You will not accuse me or any American Socialist of undue love for the League of Nations. I am frankly very happy that, in my judgment, our non-participation in the League of 1919 and 1920 kept it from being the kind of League that Clemenceau apparently desired, that is to say, a greater holy alliance. But I do not see at the present time that wishing will give us a better League, and I do think that there are practical ways and conditions by which we might get a better means of international coöperation through that

same League, depending partly on the character of our own Government.

I am speaking of no panacea when I speak of the League, but it is quite fantastic to recognize the prohibitive danger of war and yet refuse to co-operate in the use of existing international machinery, thereby somewhat abating the unquestionable fear and suspicion, just or unjust, that other nations feel towards us. That is, an American economic program cannot ignore the World Court and the League of Nations as much as they have been ignored, if it is to be a program for peace.

RAW MATERIALS

This leads me to a still further point in my program. I do not think that there is any way to deal with two important matters except internationally. One of those matters is communications. The other is raw materials. This is hard doctrine for us Americans. We are quite sure that what we have is ours by divine right and that what other people have, we ought to have if we need it. We do not put it that way, but something of that sort is in our minds. We do not like to think that we shall have to work out any such allocation of raw materials as the Allied countries sought with some success during the world war, when it was a matter of defeating the Central Powers. We have gone backward from the time when Theodore Roosevelt, near the end of his second administration, proposed an international conference on natural resources and raw materials. It is still a valid idea, which cannot be escaped or evaded. There are not enough natural resources, nor are they evenly enough distributed to trust to any process of drift or to the competition of the profit makers in nations of various sizes to manage these affairs.

PEOPLE NOT READY FOR PROGRAM

These planks on tariff, investments, imperialism, communications, and control of raw materials, would make quite an economic program if we put them into effect, and I suppose that will have to be done gradually. This is all the more reason for setting forth the program and for beginning to think about it. I do not believe that I am under any illusions about the divine nature of political democracy. I have reason not to be. At the same time, I do not think a great many critics of democracy are fair. They blame people bewildered with the burden and heat of everyday life, they blame folk often desperate because of the insecurity of this machine age, which, with all its potentialities of prosperity, brings to some men and women bitter doom. They blame men and women like these because they do not always see the wise thing, although even the leaders dare not say the wise thing, lest it be premature to say it.

We talk about parity between powers that have already agreed not to fight—an impossible type of parity, not to be worked out by any metaphysics. But we think it is unwise to mention the parity of zero, that is to say, we think it unwise to ask plainly why nations which have signed a pact of peace should not dare to disarm those navies which can only be used one against the other. We think it unwise to say "free trade" under any modifications that may be necessary, and to revive the idealism which undoubtedly was at least one factor in an earlier economics of free trade. Instead, we talk about protection and try to shift it around a little way toward free trade. And most of us in America are quite afraid to say "international socialism" as a basis for true peace.

DIRECTION OF PUBLIC THOUGHT

I am pleading therefore in conclusion, as I have tried to do in the whole of my talk, for two things. The first is a resolute effort on our own part and on the part of all those who are in any position of leadership, educational or otherwise, to make men and women aware of the one thing that is likely to save our generation and the next, and that one thing is the necessity of thinking in world terms of the management of the billion wild horses of machinery in an age of specialization. The second thing is to work out on that basis, as wisely as we can: (1) tariffs, directed toward greater freedom of trade; (2) the control of our economic life at home directed toward the increase of the power of the consuming masses, which will ease some of this bitter drive for economic imperialism; (3) a notion of international relations which bans military force as a collecting agency and increases elements of international coöperation. This requires international machinery, and it will ultimately require some sort of allocation or management of natural resources and raw materials.

It is a big program. Some of the things we desire may be the consequences rather than the causes of this different world which we want. But I do not see much likelihood of peace or happiness or of any real freedom or fellowship among us until we face this big program of an American economic plan which is not for Americans only but which recognizes that the safety and the happiness of our children, if not of ourselves, depends upon our learning to manage the powers we have, not for the profit of the few or the aggrandizement of strong nations, but for the many whose toil keeps life going.

An Inter-American Economic Policy

By DANTÈS BELLEGARDE

Delegate of Haiti to the League of Nations; Minister of Haiti to France, Paris, France

THERE is a "world economy." Professor Elemér Hantos, of the University of Budapest, defines it as follows: "The sum total of national economic activities, each depending upon the others and each having need of the others." That this world economy is a reality, founded upon interdependence of peoples and international economic solidarity, no one can doubt. The simultaneous appearance of crises in the economic life of different nations testifies to it in a clear manner. The American crisis of late 1929 in particular, the profound causes of which should be looked for in an excess of riches which the national economy of the United States was incapable of supporting, is manifest proof that no country, no matter how vast or prosperous, can shut itself inside its four walls and isolate itself from other parts of the globe.

ORGANIZATION OF INTERNATIONAL ECONOMY

It does not suffice merely to point out the existence of this world economy. It is necessary to attempt its organization according to natural laws which have governed within each state the organization of national economies through the collaboration of the citizens of the nation in private enterprises and public services. This organization of the international economy is necessary, for it is certainly the essential basis of world peace. This has been clearly noted by the World Economic Conference, meeting at Geneva in 1927, when it wrote in the preamble to its General Resolutions that: "The

maintenance of the peace of the world depends in large part on the principles according to which the economic policies of nations are conceived and applied."

According to what principles have the politics of the various states of the world been conceived and applied? An important publication of the League of Nations, *The Memorandum of International Commerce and Balancing of Payments*, permits us to secure an approximate idea by noting the statistical effects of the foreign commerce of the sixty-four countries. I have no intention to analyze this work here. It is important, however, to note the lesson which can be drawn from it, namely, that the very great differences in the conditions of labor and of production in the different countries, serving as pretext for protectionist tendencies, have created and maintained a system of competition which places an obstacle in the way of the free circulation of goods and hinders the realization of a perfect equilibrium between production and consumption.

For this system of competition, which has given birth to a race for high tariffs just as dangerous as the race for armaments, it is necessary to substitute a system of coöperation which permits, in the first place, giving to the circulation of merchandise in the world the most rational and just foundations. The League of Nations has understood that this task was principally its own, and that is why the League multiplies the initiative efforts which aim to establish economic peace among peo-

ples. One of these placed under its auspices is a project of the Minister of Foreign Affairs of France, Mr. Briand, for the realization of a political and economic Locarno in which all Europe is called to participate.

ECONOMIC IMPERIALISM OF THE UNITED STATES

Practical or not, the project of Mr. Briand is a serious effort towards an organization of an international economic policy, undertaken in one of the most divided parts of the world—a part whose very lack of unity constitutes its principal weakness. No matter how careful the author of this grandiose attempt is to affirm that the European union about which he dreams is not directed against any one, one cannot fail to see that the aim in view is to free Europe from the economic and financial imperialism of the United States of America.

Does this imperialism exist? There is no doubt about it. No matter what name one gives to the economic and financial power of the United States, one has to admit that it today controls the affairs of the world. And Mr. Hiram Motherwell has reason for naming his new book *The Imperial Dollar*, for in it he describes this preponderant situation of the United States in the world economy.

The United States owes this economic and financial power to the marvelous resources of her soil and her subsoil, and also to the admirable energy of a people which has known how to carry human effort to its maximum in transforming these natural resources into innumerable and varied riches.

The merit of the Americans is, therefore, not at all lowered by the recognition of the fact that their present prosperity is in large part the result of the war, of which one can

say that they were the true profiteers without giving to that name any uncomplimentary meaning.

UNITED STATES PROSPERITY HAS DANGERS

But such a prosperity has its dangers, and the crisis at the end of 1929 would seem to be a serious warning to the United States.

In his message to Congress of December third, 1929, President Hoover attributed the panic on the stock market to "an excessive optimism expressing itself in a wave of frantic speculation." It is perhaps necessary to go even farther and to see in the stock market crash of last year a consequence of the situation created in the United States by the inflation of credit and overproduction in the presence of an internal consumption which seems to have reached its saturation point. The economic and financial policies applied in the United States have led to an accumulation of enormous capital, the total of which cannot be used in the country itself, and to a massive production, superior to the needs of national consumption, which, due to the fear of unemployment, is not permitted to slow down. *From this comes the absolute necessity for the United States to find outlets for her surplus capital and production.* Mr. Owen D. Young has said with reason:

Isolation, whether political or economic, is impossible for America. To make certain of the advantages of an economic equilibrium we must go beyond our frontiers. We may sign eloquent declarations of peace but if we follow a narrow economic policy we shall find in countries less fortunate than ours an increasing resistance to that disarmament in which we seek an assurance against war.

An eminent French jurist, Mr. Joseph Barthélemy, summarizes in

these terms the economic system of the United States:

First, the United States will not buy from abroad. Second, she will sell to foreign countries. In order to hinder buying abroad, she closes her frontiers by tariff barriers as high as it is possible to imagine. In order to sell, she tries to hinder other nations from closing their frontiers. To obtain this result she disposes of an efficient means of pressure. She has accumulated in her coffers the greatest part of the gold of the world. She is willing to dispense some of it, but against interest and particularly on conditions. On nations affected by an attack of *sacra fames* she imposes notably the condition of a free introduction of her manufactured products.

One therefore easily understands why Europe, menaced particularly in her economic life by North American expansion and by the more and more accentuated industrialization of her dominions, seeks to resist American influence by reconstituting her forces according to a plan of continental economic unity—the formula for which she is eagerly seeking. Should Europe succeed in her design, it would certainly mean the restriction of imports from North America. Besides, the growth of productive activity in Europe since the end of the war does not permit a hope that the United States can indefinitely enlarge her outlets in European countries.

TRADE POSSIBILITIES OF LATIN AMERICA

The great hope of the United States must then turn toward Latin America. Here, the possibilities are infinite: a territory of eight million square miles—twice that of Europe; a rapidly growing population of eighty-five million; twenty-one young, ardent, peaceful republics inspired by liberty and progress, and aspiring to wealth and well-being.

What are the present economic relations of the United States with Latin America? What politics should she adopt toward the latter in order that these relations be increasingly developed and fortified in the future?

In an excellent publication by the World Peace Foundation, *Investments of United States Capital in Latin America*, Dr. Max Winkler has shown the importance of these relations up to 1928. From his article we take the following totals: In 1913 the total foreign commerce of the Latin American republics was valued at \$3,000,584; in 1927, \$5,139,187. That is an increase of 71.28 per cent. The part of the United States in these totals was: in 1913, \$816,860; in 1927, \$1,783,350, or an increase of 118.32 per cent. In 1913, North American capital invested in Latin America approximated \$1,242,000,000; today it has passed the \$5,000,000,000 mark.

I myself have drawn from these totals a lesson which I had the honor to present in an address given in the presence of President Herbert Hoover, then Secretary of Commerce, May second, 1927, at Washington, at the inaugural session of the Third Pan-American Commercial Conference, the substance of which is here reproduced.

RECIPROCAL NEED OF THE AMERICAS

Inter-American solidarity is not simply a verbal expression, but a concrete reality made up of a colossal mass of raw materials and resources of all sorts.

Latin America needs the United States, as the United States needs Latin America. As a matter of fact, the United States takes from Latin America a large share of raw materials and agricultural products necessary for her industries. On the other hand, her industrial production, stimulated by the war, has already surpassed (by

fifteen per cent according to Winkler), and tends to surpass in increasing proportions, the needs of her internal consumption. The sole remedy for this dangerous overproduction is the extension of the American market. But the word *extension* should not be taken in the sense of *territorial expansion*. To extend the market is to secure a clientele of great purchasing power, the absorptive power of which will increase in proportion to industrial production. It is clearly to the interest of the United States, then, to increase the purchasing power of her Latin American clientele, provider of her raw materials, and consumer of her manufactured products.

How can the purchasing power of Latin America be increased? By developing her productive power. From where can she get the necessary capital for this development or production, that is, the exploitation of her enormous natural resources? From the United States, who, from having been a debtor before the war, has today become a creditor and the biggest lender in the world.

Here arises a most delicate question—one which affects the whole future of inter-American relations.

MUTUAL CONFIDENCE NECESSARY

Credit, in the etymological sense of the word, is synonymous with confidence. To lend money to some one is to have faith in his honesty, in his solvency, or in the value of the real guarantees which he can offer. But the borrower should also have confidence in his creditor; confidence that his creditor has no concealed thought of conquest, of violent seizure of his goods, his liberty, or his rights; confidence that the money offered to him is not a limed trap where he risks losing all his feathers and even his life.

We must admit that this confidence is lacking from both sides. The North American lenders, those who do not look for other than economic advantages, are afraid to place their money in uncertain enterprises or in undertakings which do not have for their aim substantial increase of profits. The Latin American borrowers on their side, in a sort of fugitive vision, see behind each Yankee capitalist regiments of marines marching or the formidable silhouettes of American superdreadnoughts.

It is this reciprocal fear which it is necessary to dissipate by political action composed of frankness and loyalty, as well as by close coöperation between business men of all American countries. The Pan-American Conferences, the conferences of the great international associations established in the United States, conferences such as those which have just been held at Philadelphia by the American Academy of Political and Social Science, unite in an atmosphere of cordiality and of good will those who are most interested in seeing confidence and peace established between the nations of the Americas. These conferences can, therefore, suggest the best measures for giving to American continental economic policy a solid moral and political basis—the strict application of the principle of legal equality of the twenty-one sovereign states of America, and of absolute respect for their independence.

PRESIDENT HOOVER'S WISE VIEW

The question of capital placements abroad is one of the most delicate to answer, because it is from financial breaks that interventions, armed or diplomatic, result.

The politics which it would be necessary to follow in this regard has been excellently indicated by President

Hoover in his address at the Third Pan-American Commercial Conference:

No nation, as a government, should borrow, and no government lend, and nations should discourage their citizens from borrowing and lending unless this money is to be devoted to productive enterprise. Out of the wealth, and higher standards of living created from enterprise itself must come the ability to repay the capital, together with the net gain to the borrowing country. Any other course of action creates obligations impossible of repayment except by a direct subtraction from the standard of living of the borrowing country and the impoverishment of her people. In fact, if this principle could be accepted between nations of the world, that is, if nations would do away with the lending of money for the balancing of budgets for purposes of military equipment or war purposes, or even that type of public works which do not bring some direct or indirect productive return, a great number of blessings would follow to the entire world. There could be no question as to ability to repay. With this increasing security capital would become steadily cheaper, the dangers to national and individual independence in attempts of the lender to collect his defaulted debts would be avoided, there would be definite increase in the standard of living and the comfort and prosperity of the borrower. There could be no greater step taken in the prevention of war itself. . . .¹

It is highly desirable that these wise suggestions take the positive form of an international treaty.

On the occasion of the anniversary of the Armistice, November eleventh, 1929, President Hoover gave an address of rare merit on the liberty of the seas and on peace. He said that "fear is the most dangerous of national emotions." Now, fear of the United States is found in Latin America, and this dangerous fear will continue to

exist as long as the policy of the United States toward Latin America has not been formulated in such a manner that there is no place left for an abusive interpretation or application.

INTERPRETATIONS OF THE MONROE DOCTRINE

The Monroe Doctrine, announced in the beginning for the protection of the American continent against European covetousness, has received in the course of time interpretations which have made it a menace for those it pretends to defend. Claimed by the Government of the United States to be an instrument of national and exclusive politics, it has become, according to the expression of Dr. E. J. Dillon, "a blank check on which any sum may be written by the State Department in Washington."² According to Roosevelt's interpretation it gives the United States a continual police power, which international law has never granted to any state over other sovereign states.

Recently, Mr. J. Reuben Clark has given to this Doctrine an original interpretation and it is generally believed that it conforms to the present views of the Department of State and to the personal sentiment of President Hoover and Mr. Stimson. But for how long? It is necessary to put an end to this uncertainty if the lost confidence is to be reestablished.

And this uncertainty cannot be cut short and the confidence reestablished among American nations unless a formula of nonintervention is adopted which leaves no place for any misunderstanding, and becomes a positive rule of international American law. It is to be regretted that the formula adopted by the Conference of American Jurists at Rio de Janeiro, April 1927,

¹ *Third Pan-American Commercial Conference Proceedings*, pp. 43 seq.

² "Mexico on the Verge," London, p. 176.

was abandoned by the later Pan-American Conference at Havana.³

"ACTIONS SPEAK LOUDER THAN
WORDS"

The most beautiful declarations have no value in the face of facts. As long as the military occupation of the Republic of Haiti lasts, unjustified as it is at law, and based on a treaty imposed by force on the Haitian people, fear and lack of confidence will continue to exist among American nations. We have already seen that this fear and lack of confidence constitute a barrier to business and a menace to peace. Mr. Victor M. Cutter said, at the Third Pan-American Commercial Conference, "We business men know that from an economic point of view imperialism is a failure." The example of Haiti is an eloquent proof in point.⁴

In completing his labor of liberating Haiti, President Hoover will more efficiently work in the interest of a good inter-American understanding than could the most beautiful assurances of international loyalty.

If we wish to strengthen the bonds which unite the members of the Pan-American group, it cannot be done by making this group appear as a big war

³ See *La codification du droit des gens*, by Abel Nicolas Leger, Port-au-Prince, 1929.

⁴ See the Report by Mr. Raymond Leslie Buell to the Foreign Policy Association, December, 1929, and the articles by James W. Garner and Helena Hill Weed in *The World Tomorrow*, May, 1930.

machine directed against legitimate political or economic interest groups which might be formed in other quarters of the world. It suffices to cast a glance at the tables of foreign commerce of American countries to be convinced of the narrow solidarity which binds us, for instance, to Europe, the economic restoration of which is a necessary condition for the stability of our own affairs.

PROSPERITY FOR ALL THROUGH
COÖPERATION

That is why, at the meeting of May fourth, 1927, of the Third Pan-American Commercial Conference, I had the honor to offer the following resolution, which was unanimously adopted:

Recognizing the economic solidarity of all the nations of the world, the Third Pan-American Commercial Conference begs to present to the World Economic Conference, just assembled at Geneva under the auspices of the League of Nations, its warmest wishes and to express the hope that the labors of the Conference will bring about happy results for the reconstruction of Europe and for the amelioration of conditions of living in all the nations of the world.

This resolution is the best ending I could give to the present article. We want peace and happiness for all, assured by the coöperation of all—coöperation among the citizens of the same nation, coöperation among the social classes, coöperation among the peoples, coöperation among the races.

Geneva, April 9th, 1929.

LEAGUE OF NATIONS

ECONOMIC TENDENCIES AFFECTING THE PEACE OF THE WORLD.¹

"The following memoranda have been prepared at the request of the Economic Committee of the League of Nations. Further consideration is being given to the questions they raise and other opinions have been sought. These memoranda carry therefore the personal authority of two distinguished economists who have drawn them up, but must not be taken to represent the policy or opinion of any organ of the League of Nations. The responsibility of the Economic Committee is that of having invited these two economists to prepare these initial memoranda."

CONTENTS.

	PAGE
I. JOINT MEMORANDUM BY PROFESSORS J. BONN AND ANDRÉ SIEGFRIED	192
II. MEMORANDUM BY PROFESSOR J. BONN	197
III. MEMORANDUM BY PROFESSOR ANDRÉ SIEGFRIED	208

I.

JOINT MEMORANDUM BY PROFESSORS J. BONN AND ANDRÉ SIEGFRIED.

WE are submitting to you the two memoranda which you have asked us to draw up. As you are well aware, we were forced to write them against time. Neither in form nor in substance are they anything but provisional. For the same reason we have been unable to communicate with each other during their composition, but we are glad to find that we have arrived at practically the same conclusions by more or less different routes.

We have been considering whether it might be useful to merge them into a single document, but we think that nothing would be gained by so doing. Indeed, the very fact that two writers approaching the subject independently should have arrived at conclusions so largely identical in substance, however different in form, seems to us in itself an argument for separate presentation.

¹ These memoranda have been reproduced in exactly the form in which they were originally printed.—EDITOR.

We understand that the ultimate aim of the work to which we are asked to contribute is to secure agreement upon and acceptance of a series of principles which should guide Governments and economic groups in the action they take affecting the economic interests of other countries, and therefore international relations.

Our help has been sought because it is believed that, before discussion can usefully proceed between the representatives of Governments, preliminary research and study, unofficial and public discussion and the gradual building up of a body of informed and interested public opinion are desirable.

At an early stage in this task, the work of economists, economic historians and others is necessary; and as a help towards their encouragement and guidance the active interest of universities, centres of teaching and learning of every kind, and all institutions which organise and direct

informed discussion of matters affecting international relations should be enlisted.

We have been informed that, with this object in view, the League is contemplating a communication addressed to such institutions and to the public and we have been asked to make suggestions which might serve to make such a communication more useful and effective.

In response to this request, we desire to make a few preliminary observations.

We are suggesting below a certain number of topics the study and discussion of which might, in our opinion, be useful. In doing so, we have purposely included not only questions which have in the past obviously led to war and may therefore do so again, but also some which are never likely by themselves and unaccompanied by other causes to have such a result, since, by creating international friction, they contribute in greater or lesser degree to the general atmosphere of unrest in which the danger of any particular dispute leading to war resides.

In other words, we wish it to be understood that, in mentioning a particular topic, we are thinking of it as one likely to have a substantial effect upon international relations and goodwill rather than as a likely cause of actual war.

We propose, as we say, to suggest topics for study and discussion, and, to some extent, possible alternative points of view. But we do not propose to express opinions ourselves as to which of such points of view we consider the best. We do not wish to anticipate the results of the very study and discussion we desire to stimulate.

The volume of publications dealing with the problems in question is already considerable, though small in relation

to their intrinsic importance. We hope that it will rapidly grow. But we do not wish for a mere increase in such literature, however useful this might be to the student of economics. The further study to which we look forward will, we hope, be more and more concentrated upon the political aspect of economic facts and Government or group action bearing on economics.

In undertaking our task, we have been compelled, very tentatively, to make use of a rough classification. But we realise that it is necessarily arbitrary, provisional and incomplete. Indeed, we hope that study and discussion will be on the widest basis and as varied as possible in character and method. This is a case in which duplication and overlapping of work are not only inevitable but desirable. The problem must be approached from many points of view and by many methods. Our immediate object is to interest and inform public opinion. This ought to lead in its turn to a systematic presentation of facts from which one or more scientific doctrines may be evolved. Ultimately, as we hope, these doctrines may find expression in practical policies.

We have had the opportunity of conferring together and, after a careful comparison of our two memoranda, we are suggesting the following topics for further enquiry. The list must not be regarded as exhaustive, but simply as an indication of the direction in which we venture to believe that additional research and study would be most likely to lead to constructive results.

Suggested Topics for Further Enquiry.

I. PROBLEMS OF POPULATION.

What would seem to be required is not so much a new study of population on the purely theoretical side as a

further consideration of the political consequences of population movements and population policies.

Particular attention is drawn to the following subjects:

What constitutes local (national) pressure of population? Do such cases exist in the world and, if so, where? What is their effect upon international relations? Are there cases in which political friction is due less to actual pressure of population than to the apprehension of such pressure?

Do countries which are sparsely populated in relation to their natural resources constitute a problem:

(a) On account of the relative weakness of their population for economic and political purposes;

(b) On account of the desire of foreigners to enter;

(c) On account of the attitude of their Government or their public opinion towards such immigration, with a view to preserving national or social homogeneity?

Is it right for a country to exclude immigration conditionally on its obligation (and the means of carrying it out) to develop its own natural resources with its own man-power? What is going to happen when and if this man-power is insufficient or the area available is unsuitable for the governing race (but not for other races)?

Is there an obligation on any country to promote the development of its natural resources?

Does pressure of population confer a natural right to expansion either:

(a) By the acquisition of fresh territory, or

(b) By emigration into territory where immigrants are subject to foreign rule either:

(1) abandoning their separate nationality, or

(2) maintaining it as distinct sectional groups?

To what extent do increased facilities for foreign trade obviate the necessity for emigration and the friction arising out of it?

Does such a shifting of economic pressure tend to abolish or diminish or merely to shift the friction?

To what extent, if any, does pressure of population constitute an obligation on the Government to discourage its growth?

To what extent is friction caused by the policy of emigrating countries in withholding or diverting their emigrants, especially temporary emigrants?

To what extent is the problem aggravated by discrimination or supposed discrimination between emigrants belonging to different countries, races, or creeds?

What lessons can be drawn from existing bilateral migration agreements between States?

II. RAW MATERIALS.

In what cases does friction arise from the existence of: (a) monopolies resulting from natural conditions; (b) of monopolies resulting from the exercise of control: (1) by Governments, or (2) by private agencies (with the approval or against the wishes of the Governments concerned)?

In what cases do restrictions or discriminations lead to friction? In what proportion do they stand towards the cases in which trade is carried on without restrictions or discriminations? (It might be useful to enquire into the political consequences which have arisen out of the control, with or without discrimination, of certain important commodities, *e.g.*, oil, rubber, potash, coffee, electric power and others.)

Is there a tendency towards the increase of such forms of control of

natural resources (with or without discrimination)?

What international measures have been adopted to prevent the control of natural resources? And what have been the political results of such measures? (It is suggested that enquiry should be made into the problem of discrimination, distinguishing between: (1) discrimination in favour of the State controlling the resources and (2) discrimination between different foreign users. A study of the history and practice of open-door agreements and colonial mandates, as well as of the Conventional Basin of the Congo, might yield fruitful results. A description of methods of evasion resorted to might be included.)

Is the control of natural resources by export duties or prohibitions to be distinguished from other forms of protection? Are there any reasons why the political friction arising from the former type of protection appears to be much greater?

Can Governments be expected not to exercise their right to take action affecting the output, price or distribution of raw materials of general world importance except after agreement—or at least consultation—with consuming countries? If so, under what conditions? (It might be worth while to try and formulate what may or may not be considered a fair or reasonable action in this field.)

III. LOANS.

The following subjects are suggested for enquiry:

The condition and terms of private loans to Governments which have led to political developments, *e.g.*, the loans to China and Egypt, the French loans to Russia, the German loans to Turkey and Bulgaria, and certain loans to Latin-American Governments.

It might be enquired whether or not

such loans involve twofold political consequences:

(a) The political dependence of the debtor country upon the creditor;

(b) A necessity for the creditor country to back up the policy of the debtor country.

Some further questions arising out of this subject might be considered: *e.g.*, What has been the effect upon the rights of third parties, of the policy of securing economic control upon a State by means of loans to that State? Is it sufficient that these should be safeguarded by international agreements due to jealousy (as in the case of China), or is it practicable to work out a constructive international loan policy safeguarding the interests of all parties?

Is it desirable and practicable to lay it down as a general principle that, where no Government approval has been sought and obtained at the time that a loan is issued, no case arises for Government intervention on the part of the creditor country?

Problems arising out of the possible failure of Governments to meet their obligations might be enquired into from the following points of view:

In cases where a Government ceases payment, is it possible to devise an agency capable of distinguishing between *bona-fide* incapacity to pay and fraudulent repudiation? Is it possible to evolve a mechanism capable of adjusting quasi-automatically differences between debtors and creditors arising from incapacity to pay? Can the Drago doctrine be further developed and expanded to fit conditions all over the world?

In regard to private loans, we suggest enquiry on the following lines:

Can loans made to private corporations of substantial size, and wielding political influence, be considered as purely private commercial transactions,

with no bearing on politics? If not, is it possible to evolve methods for preventing political friction either between the creditor and the debtor or between them and third parties? Attention might be paid to the fact that an enterprise of this type engaged in business in a foreign country does not necessarily follow a policy identical with that of its Government.

Consideration might further be given to the risk incurred by foreign capital due to the fear of foreign control of important industries. This may in some countries affect the impartiality of tribunals and has in other countries actually led to *ad hoc* legislation and discriminating action against foreign shareholders in individual businesses.

The term "loan" in this connection is used to signify all forms of capital participation by the subjects of one country in the business enterprises of another.

The considerable increase in all forms of capital investments in foreign countries suggests some further questions:

Is it possible to develop further the work already done by the Economic Committee in the draft Convention on the Treatment of Foreigners, with the ultimate object of evolving a code of international economic hospitality?

IV. TRANSPORTATION.

The following subjects are suggested for enquiry:

The economic life of countries depending for their regular supplies and their regular sales on other countries separated from them by interposing territory is liable to be endangered by the action taken by intervening countries. Do any means exist for obviating such a danger? Is there a possibility of determining what is fair and unfair to the various parties concerned?

The same enquiry may be applied in

cases where the line of communication passes through a strait or a canal under the control of one or more outside Powers.

Is it possible to guarantee uninterrupted intercourse in such cases?

Can it be determined what is fair to the country or countries controlling the highway and to the country or countries dependent upon its use?

Is the controlling country justified in claiming a privileged commercial or military position?

Is it reasonable to hope that the countries concerned will be prepared to give up their military control when adequate international guarantees of security have been provided?

Is it possible to devise a mechanism other than military occupation by the Power in control which would at once provide security to those in control of the waterway and to those entitled to its normal use?

It may be observed at this point that this problem is closely connected with the larger problem commonly termed the "freedom of the seas". In the discussions on this issue, the same opposition may be noted between the interests of those in possession of naval power and those who desire to enjoy uninterrupted use of the highway of the seas.

Attention should also be directed to discrimination in respect of harbour facilities and shipping matters in general, as also to problems of railway control and the political friction to which it may give rise.

In the same way, enquiry might be directed to friction arising out of the control exercised by individual countries or groups of countries over cables, wireless, broadcasting and aviation.

V. COMMERCIAL POLICY.

This is a field upon which the Economic Committee has been at work for

many years past. There is no need to cover the same ground afresh. A few observations bearing on the political side of this subject may, however, not be out of place.

Political power, including military power, is to-day so closely intertwined with economic power that economic problems can no longer be considered as mere matters of business.

In proportion as modern States take over business enterprises, this connection cannot fail to become closer. A study of this changed relationship between economic and political power is deserving of attention, particularly in regard to the friction which it may engender.

A study of dumping from this point

of view, based on the research set on foot by the World Economic Conference, might be of particular use.

Another subject which may be mentioned is the following:

Identical measures of commercial policy have in certain cases produced strikingly different political results. Tariff measures applied between a mother-country and its colonies or between allied countries have, for instance, produced an effect on opinion wholly different from legislation affecting countries less intimately related: Is it possible to create an atmosphere which would prevent measures originating mainly out of economic considerations from being attended by political friction?

II.

MEMORANDUM BY PROFESSOR J. BONN.

The fundamental cause for economic frictions leading to war is the unequal distribution of the world's economic opportunities. I deliberately prefer the word opportunity to resources.

The different sovereign States composing the political universe are unequal in size, population—quantitatively and qualitatively—and opportunities. The outcome has been great differences in wealth and power, with the ensuing result of fear and envy. As wealth often enough depends on power—man-power and its technical organisation—and as, on the other hand, power depends on wealth, there is a permanent interplay of these two factors of national inequality.

A great part of the world's history can be explained only by the desire of saturated States to maintain their privileged position in regard to power and wealth, and of non-saturated States to gain wealth to be more powerful, or to get power to be more wealthy.

This inequality has assumed different forms.

The facts affecting the actions and counteractions of States in their endeavour to maintain or to change existing economic conditions can be classified under the following heads:

- I. Population Problems.
- II. Movements of Goods:
 - A. Markets and Tariffs.
 - B. Natural Resources.
- III. Transportation Problems.
- IV. Credit and Capital Problems.

I. POPULATION PROBLEMS.

There are two kinds of Government actions affecting population directly.

A Government may withhold its population from countries desirous to receive them, or it may, so to speak, press them on countries unwilling to accept them.

The policy of restricting emigration has been resorted to in the past in

thinly populated countries, partly for economic reasons, but more often for military reasons, to prevent the frustration of conscription. As a method of economic pressure, it has been used occasionally to prevent the emigration of skilled workers who might act as teachers to comparatively backward populations. More frequently it has been used with the object either to paralyse or to threaten with paralysis certain foreign industries depending on immigrant—often seasonal immigrant—labour. The question of seasonal immigrant labour and the danger of its being cut off at critical moments has played a part in German-Russian relations before the war. It has occasionally assumed great importance in the economic relations of British South Africa and the neighbouring countries—Portuguese South Africa being a recruiting ground for Portuguese native workers, whilst the former German South-West Africa was a receiving centre.

As the right of any sovereign country to control the efflux of its population cannot be denied, the element of danger does not lie in the actual control, but in the motives, or supposed motives, guiding the controlling Government. Where a genuine interest in the well-being or decent treatment of the emigrants in immigrant countries is beyond doubt—as was the case when Germany prevented emigration to Brazil or when the Indian and Chinese Governments stood up for decent treatment and a decent political status of their coolies—detached observers may have no difficulty in acknowledging the fairness of their action, but the countries affected by this embargo on emigration may take different lines.

The situation is clearly different when the Government of a country is expelling part of its people by direct expulsion or by indirect economic pres-

sure or by facilitating emigration. Though they may be acting within their constitutional rights as far as their own populations are concerned, they are creating an impossible international situation. As there are no neutral vacant lands available where expelled populations can go to without affecting the wellbeing, supposed or real, of existing populations, friction is bound to arise when other countries are not desirous of receiving the overflow. The attitude of the Arabs in Palestine towards the Jewish immigration may serve as an illustration.

The question must be considered too from the immigrant country's point of view. Occasionally, no doubt, an immigrant country, eager for the inflow of men and women which guarantee its rapid development, feels deeply hurt at difficulties raised against emigration such as mentioned above. Whilst not denying a country's sovereign right to allow or not allow emigration, it is often inclined to consider specific actions as measures taken deliberately to slow down the pace of its development. It is apt to consider guarantees for the good treatment of emigrants, asked by such Governments, as mere pharisaical piffle.

States naturally insist on their right as sovereign Powers to control the influx of foreign elements as to quantity as well as to quality, or supposed quality. The discriminating element in modern immigration laws—whether this discrimination be advocated for economic, social, civic, racial or religious reasons, or for the mixture of all these considerations, is often immaterial—has probably caused more friction than a policy aiming at mere quantitative reductions. The desire for equal treatment, often guaranteed by treaties, has been hurt—not the least in cases where this formal equality has been maintained, but has been un-

determined by a more or less cleverly invented "dodge" (such as taking down fifty words in any civilised language which may just be the language which the immigrant may be not expected to know).

Whilst it cannot be denied that every sovereign State must have the right to decide by its own legislation the nature and the pace of its own social development, the fact remains that the insistence on and use of this sovereign right do perpetuate and aggravate the state of differential social pressure which follows from the varied relation of population and natural resources existing to-day. There are scarcely any countries left which are willing to accept what might be termed virtually free immigration on a considerable scale.

This being the case, the countries which cannot dispose of the surplus population accruing to them under an existing system of social and economic organisation by emigration must change that organisation. They are forced to do so under pressure of superabundant populations penned up artificially by the erection of barriers against immigration. They can do it by intensifying their system of agriculture and by creating an industry, the beginnings of which are often more or less artificial. But it can rarely be done without raising a tariff on agricultural import and without giving protection to nascent industries. The rise in the cost of living produced by agricultural protection and the creation of an artificially protected home market for new industrial enterprises is offset by low standards of living and low wages. These low standards are bound to be used as additional arguments against the admission of immigrants from the countries affected, whilst the low wages enabling the country to export goods manufactured under socially backward

conditions of work are likely to bring the exported commodities under the category of "social dumping".

Generally speaking, the pace of industrialisation is artificially forced and the demand for capital for investment in plants is artificially increased at a time when existing plants are not fully occupied.

The friction started by migration problems is apt to be deflected and sometimes increased by transference to trade problems.

II. MOVEMENTS OF GOODS.

A. MARKETS AND TARIFFS.

The regular interplay between exports and imports does not seem to affect international relations in a very unfavourable way, even where Government action in the shape of protectionist policies is continually trying to make trade change its channels. If the ever-increasing bulk of international trade is taken into account and the accompanying growing interdependence of nations on each other, the utility of protectionism as a policy might well be doubted, notwithstanding the multiplication of the ever-increasing changes of Customs barriers. It accelerates changes, hastens industrialisation, duplicates efforts, but does not change the main lines of the world's economic development.

The irritation caused by changes in export and import policies is in itself disturbing rather than dangerous. But occasionally its effects go beyond this rather slender pressure of the political atmosphere.

A policy fostering exports is often popular enough in importing countries when their production is augmented or their well-being is increased by a generous inflow of foodstuffs, raw materials, semi-manufactured and even manufactured goods. But when a policy of

fostering exports is based on bounties or premiums, direct or indirect, Government or private, smacking of what is loosely called dumping, nations benefiting by the low prices due to dumping are rarely grateful for the opportunity provided to them of satisfying their needs below cost prices. Not merely the inland competitor whose sales are diminished by imports cheapened at the cost of foreign consumers or taxpayers looks askance. Public opinion in general in the importing country is frightened at such offerings. They look upon these cheap imports as upon the thin end of the wedge. When foreign industries have successfully beaten down the opposition of the home producer, they can control the home markets and indemnify themselves for the low prices formerly charged. They may even succeed in controlling the importing nation's supply, which has thus been put into foreign economic bondage.

It seems likely that the policy of dumping carried out by private enterprise is on the increase. Industrial protection is not very successful in the long run, without some sort of cartelisation at home, to control the prices of the home market. To maintain these prices, it is almost essential to export the available surplus, if needs be at prices considerably below those paid by the home consumer of the exporting country. Though this really benefits the foreign consumer and, in basic products the foreign manufacturer, using them as raw materials or half-finished goods, foreign opinion is apt to insist on some sort or other of anti-dumping legislation, which by its very nature must be a source of ever-recurring friction.

The deep-seated fare of dependency on foreigners, which might be turned to advantage either by the supplier himself or, in time of war, by a hostile

Power interfering with free transportation, has been one of the strongest arguments for protection. Experience has shown that modern industrial nations can become independent of foreign supplies only in a very limited way, even if they are willing to pay the heavy price of an increased cost of living: they can do so only by fostering one branch at the expense of another. Food for human consumption might be raised in sufficient quantities if all or a great part of the food required for animals were imported. Complete security cannot be gained by protection. The effort of reaching this unattainable aim and the ever-recurring disappointment at the failure of this effort are certainly amongst the strongest influences poisoning the international atmosphere.

Nor can this economic problem be solved any longer by military means, as may have been the case in the past. The control of the sea such as can be attained to-day may be sufficient to starve the enemy by cutting off his supplies; it is more than doubtful whether it can guarantee the unbroken inflow of goods into one's own country without which the blockade of the enemy is of no practical avail. The issue may be a mere "race of starvation". The remedy cannot be applied by economic measures, such as making a nation self-sufficient by means of a system of protection, nor by military measures, such as naval supremacy. It can only be done by the acceptance of an international code of free trade, *i.e.*, trade unhampered in time of war, such as has been expressed in the formula of the Free Sea.

Economic action and the friction attending to it are in this case the result of political fear. They cannot be allayed by mere economic measures, but only by a system of political agreements guaranteeing the relatively un-

hampered play of economic forces even in time of war.

The growth of exports is bound to bring about a certain amount of increased economic friction, even if that growth is purely natural and not caused by what may be called unfair competition.

The spread of industrialisation from one country to the other—even if it were not accelerated by protection—is bound to take place. It means a loss, or at least a necessity for displacements and rearrangements in three directions:

The markets for older countries are narrow in the newly industrialised country; the markets of neutral countries are invaded by the newcomer, often at the cost of old-established rivals; the markets of the old-established industrial countries are invaded by their newly started rivals. A certain amount of friction is bound to follow each displacement. The repercussions may become serious, if suspicion is rife that the new economic industrial rivalry is undermining the political position of a country whose power is based, or supposed to be based, on industrial supremacy. Such has been the attitude of certain sections of British public opinion regarding German industrial development. And the same ideas prevailed in certain German industrial circles, who were convinced before the war that the pressure of German competition was bound to lead England into war, and who see their conceptions justified and proved by the events of the great war.

A similar spirit is rising in colonies and quasi-colonial countries to-day who see in the efforts of industrial nations to maintain and foster trade a scheme for keeping them subservient to their economic interest, by trying to maintain an economic bondage, after political bondage has proved impossible.

The controlling actions of Governments towards imports by way of embargoes, duties, tariffs, etc., are bound to create a certain amount of friction, but they need not be of a nature to engender feelings of political hostility.

Most nations are in the habit of looking upon the formal right of their Governments to prevent or regulate importation as the outward sign of full and undiminished "sovereignty". They scarcely realise that this formal right is a *formal* right only, that there is no real economic sovereignty any longer, and that there will be none if economic self-sufficiency cannot be achieved. The (fruitless) efforts to bring about this economic self-sufficiency might be looked upon as an endeavour to re-establish an economic sovereignty which has gone and the return of which in nearly all cases is unattainable.

The fact that nearly all countries—with the exception of those whose duties serve fiscal purposes only—are in the habit of exercising this right of sovereignty towards each other has brought about a certain semi-cynical tolerance in regard to tariffs: there always have been tariffs, and there always have been changes in duties and tariffs. The tariffs themselves have ceased to irritate, especially as they are the starting-point for making counter-tariffs. If changes are not too frequent and if there is not too much discrimination, the economic damage done to the world at large by tariffs, etc., is probably much greater than the direct political effects of tariffs on international relations.

There are, however, considerable exceptions to this rule. Where the introduction of a tariff not merely displaces certain industries but is meant to transfer them to the protecting country, ruining them in the country of origin, a storm of indignation is bound

to arise, such as did happen in Europe after the introduction of the McKinley tariff. Where, on the other hand, those sinister motives are absent or are supposed to be absent, even a complete embargo—such as the American prohibition law—need not poison the international atmosphere.

If a spirit of international co-operation, outside the mere economic sphere, can be sufficiently fostered, the protective legislation of new countries dealing with immigration as well as with importation need not have inflammatory effects. The policy of the Dominions within the British Empire towards each other and towards the mother-country demonstrates this fact clearly enough.

There is, however, a very close connection between tariff systems and nationalism. Newly established nations or people striving towards a new consciousness of their separate national individuality are in the habit of using tariffs for political and even sentimental reasons without regard to mere economic consequences. Since Alexander Hamilton introduced industrial protection into the United States to give that newly made nation its second industrial arm, the protection of infant industries has been looked upon in many new countries as the best method of achieving the ideal of a fully competent nation, economically independent of foreign Powers. The strongest advocates of protection in such a country are soldiers, insisting on producing armaments free from foreign interference and writers, seeing in industrial efficiency the full expression of national completeness. This form of protection is aggressive and dangerous, not so much on its economic side, but on account of the national passions underlying and influencing it. The non-admission of Serbian pigs into Hungary before the war was due to a mere ego-

istic desire of excluding cheaper competition which influenced the agrarian classes who held political power in Hungary. It was looked upon by the Serbs as an effort to stifle the economic, and with it the national, expansion of their country.

Where national feeling is closely allied to protection, the economic problems are transferred to the political sphere. Practical compromise, such as is nearly always possible where economic, *i.e.*, money matters are at issue, is out of question. Countervailing economic measures are bound to fail. If they really hit, they increase the soreness; if they fail to do so, they merely increase the spirit of obstinacy. The self-adjusting mechanism of tariff bargaining is permanently out of gear.

Where it does exist, it can soothe the friction brought about by the opposing parties going into position, for they do so with the object of ultimately "splitting the difference". But it does not exist everywhere. Quite apart from "nationalistic protection", the bargaining power by means of tariffs is very unequally distributed amongst the different groups of countries. New countries, owning natural resources, capable of producing foodstuffs and raw materials, can easily diminish foreign industrial imports by raising a tariff sufficiently high. Old-established industrial countries cannot really fight them successfully by putting a tariff on foodstuffs or raw materials. Even if successful, they do not become independent of foreign supplies; they merely succeed in raising their own cost of living and of production, thus endangering the economic supremacy they are trying to maintain.

This inequality of situation between old and new countries is one of the dangerous elements in the general tariff situation.

B. NATURAL RESOURCES.

The inequality of natural resources and the measures aiming at control, or supposed to aim at such control, are probably a much more dangerous factor than tariffs and the control of ordinary trade movements.

Countries devoid of certain important raw materials are apt to view all measures taken by the owners of such resources with a great deal of suspicion. It is not so much the use or abuse of monopolistic power as the fear of such possible use and abuse which are influencing the attitude of nations living in less-favoured circumstances towards their more fortunate neighbours. The fact that many of the great sources of raw materials (cotton, copper, rubber, wool, oil and so on) on which modern industries are depending, were in the hands of political antagonists and economic rivals counted for a good deal in the attitude of Germany before the war, which to many observers seemed sullen, truculently aggressive and timid at the same time.

These fears have a double effect: they drive nations deprived of important raw materials to scientific invention as they try to find synthetic substitutes for the commodities denied them by nature. So far, this is all to the good, though the creation of industries producing substitutes cannot be done without encroaching on the world's existing capital. It brings about international competition, with all its accompaniments and with all its possible frictions. (The struggle between natural and artificial nitrate is a case in point.)

It leads, on the other hand, to a craving for territorial expansion, as only by annexation of countries and colonies with such resources can the deficiency be made good. Modern colonial expansion has been popular in many

countries as a method for breaking the power of monopoly: in a general way, to break the monopoly of large reserves of oversea lands to which a country's population could emigrate; in a narrower sense, to break the monopoly producers of certain commodities enjoy who are citizens of foreign countries. The cry of an American cotton corner or of a potash monopoly has always grated on national susceptibilities.

Where this power of exploitation is in the hands of a few private individuals, the outcry is directed as a rule against the domination of foreign capitalists (oil). Where it is based on or aided by Government measures, without which the monopoly would scarcely be efficient, the national rather than the social moment is pushed to the front. The deeply seated antagonism against monopolies which animates the masses is often mixed up with the political feeling that certain countries enjoy certain advantages in natural resources and can thereby make other countries tributary, nay, dependent.

The American outcry against the restriction on rubber and on coffee is not directed against any discriminating action—for all consumers are treated alike outside the producing area; it is based on the fact that men object to contribute to the revenue of a foreign Power either as consumers or as taxpayers. But beyond that feeling there is another deeper feeling, not based on fear of monopoly prices—the feeling that international economic relations are not safe if one or more privileged producers can decide whether and at what terms foreigners shall share in those natural supplies which Providence has given to a few.

The fact that economic resources of a privileged nature constitute a special form of economic power—the war has shown it clearly enough—coupled with the fact that economic power counts for

more to-day in relation to mere military power than it did in the past, frightens the non-privileged nations and has (amongst other causes) driven them to a policy of aggressive annexation. As long as the economic policy of nations is influenced by fear of war, the striving after monopoly of natural resources can scarcely be excluded completely. It constitutes naturally another element of danger.

The growth of federations during the last centuries shows a way in which the areas dominated by such fear can be diminished.

III. TRANSPORTATION PROBLEMS.

Transportation questions are really a special case of the monopolisation of particular facilities by privileged nations. The fact that countries like Switzerland, Austria, Hungary and Czechoslovakia have no seaboard put them as far as imports and exports are concerned at the mercy of surrounding countries.

Countries like the United States and England, controlling legally or practically international waterways, enjoy the possibility of withholding transport facilities, if not regularly so, at critical times.

In everyday life these risks are not deeply felt by mankind, the majority of users included, as long as petty chicanery is not resorted to, as has happened in Eastern Europe or in South Africa in transportation problems before the South African war.

But the problem how to guarantee transportation to countries depending on it has not yet been solved. Fear and friction have not disappeared.

IV. CREDIT AND CAPITAL PROBLEMS.

The international nexus between creditor and debtor is of a triplicate nature:

Governments lend to Governments,
Private people lend to private people,
Private people lend to Governments.

(The fourth possibility of Governments lending to private people abroad need not be taken into account; it is of no practical importance.)

As to the first, Governments lending to other Governments, this is nearly always a war measure (apart from the transactions which take place between metropolitan Governments and their colonies).

Inter-allied lending may be very stimulating and very popular on both sides during a war; it becomes a mere business transaction when peace is concluded, and, as such, a source of considerable friction. The feelings of gratitude which the debtor might be supposed to entertain towards the creditor do not continue for a long time; in fact, their relations can scarcely be distinguished from the feelings a vanquished nation entertains towards the victor who imposed an indemnity or a tribute upon it.

Loans contracted with Governments by private people have been made for political purposes or for mere business needs.

In the first case, the political atmosphere is greatly affected when these loans are spent on armaments. They not only contribute to competitive armaments: they bring about some form of economic quasi-alliance between the two countries connected—the loan sometimes being the forerunner, sometimes the rearguard, of political understanding. Such loans are never contracted without the knowledge of the different Foreign Offices. They are in fact part and parcel of the different countries' foreign policy.

Where the loans are contracted for productive purposes, the case may be different. The development of a country's natural resources by means of loans for railways and other improvements may be a mere commercial transaction. It has a political aspect in a double way: it forges a link between two countries which may prove of importance to mutual understanding, and it may be given with a view to bring about this state of affairs and to hasten the development of a country which may be considered a future ally. In this respect, even purely commercial loans may be part and parcel of a policy of separate alliances. If the loan is made on the understanding that the proceeds are to be spent in the creditor country, regardless of the terms and conditions of the market and the prices for commodities, it partakes of the nature of a rather aggressive measure for widening a country's markets. It enables a lending country to undo existing international agreements, such as the various "open-door agreements" entered into before the war. For though Government contracts under such agreements may be open to all countries concerned, the country which finances them most cheaply and conveniently can enjoy an advantage which will undo the most cleverly drafted guarantees for equal treatment.

The competition for Government contracts by way of issuing loans under very favourable conditions has been one of the accessory causes producing friction between the great Powers on their dealings with backward and half-backward nations before the war. Dollar diplomacy in this sense of the word has by no means a pacifying influence. Conditions have changed somewhat. But there is a tendency that Government-made or Government-guaranteed export credits, whilst originally planned as mere commercial

methods to bridge over a period of economic stress, are assuming a political complexion. Government guarantees given to exports for Russia are really veiled loans to the Russian Government. The game of concessions formerly played in rather a primitive way by the rulers of semi-developed Oriental States is taken up again on a scientific basis, as a method of getting loans and setting the creditor nations against each other.

There is, moreover, one very dangerous element in international loans: the danger of bankruptcy. When foreign Governments have over-borrowed, they usually resort to some sort of repudiation. In some cases, they are really unable to pay—at least, for the time being. In others, they are merely unwilling to increase the burden on the taxpayer. In any case, the subjects of the lending country are badly damaged. Their Governments have rarely taken up their case directly—only when small countries were concerned naval demonstrations and so on have been resorted to. The political atmosphere has been greatly disturbed, even when the Government of the creditor country insisted on the purely private nature of such loan transactions. In this direction there is some chance of improving the legal situation. There is no reason whatsoever why a modern Government should not be sued by its creditors. The problem is far less one of producing a judgment as one of having this judgment carried out. The growing international solidarity of the money market might facilitate the solution of the problem; but there are always powerful (industrial rather than banking) concerns inclined to accommodate a defaulting Government. They are of opinion that the taking over of new contracts is more important than the fulfillment of old contracts for work done long ago.

Where both parties are private concerns, the creditor as well as the debtor, the chance of friction arising out of the transactions is naturally smaller. Bankruptcy in that case is not a political problem. When it does take place, it is settled by the methods of liquidation, reorganisation, etc., in accordance with the laws of the country concerned. But there is one danger which has to be faced: under the influence of modern nationalism, the impartiality of legal tribunals towards foreigners is not guaranteed everywhere.

The export of capital to foreign countries may in some cases raise the rate of interest at home or lessen, at any rate, its reduction. This often antagonises industries at home. It does so especially when the export of capital is artificially fostered by the debtor country, which prevents the importation of goods by means of tariffs, but facilitates at the same time the establishment of branch factories; a similar result is brought about by the development of virgin lands by means of exported capital; exports of a cheap agricultural surplus follow, at a time when agriculture at home is protected by a tariff, the utility of which the newly produced surplus has successfully destroyed.

Demands for the control of the capital market by Government action are bound to arise. Up to now, this control has been sporadic; it has been used only, so to speak, as an adjunct to foreign policy. If this demand were extended beyond what has existed so far, the movements of capital would be subject to Government control, and the political nature of capital movements would be greatly enhanced.

As it is, even now political elements are entering it: the fear of unfair treatment abroad has induced capitalists to put pressure on their Government to support their rights; certain American

activities in Latin America point this way.

The borrowing countries, on the other hand, are terrified by the spectre of foreign capitalists getting control of their vital industries. Whilst the formation of international trusts is progressing in many spheres of business, national resentment against foreign business-men is growing apace. Company law (protection against "Ueberfremdung" (control by foreigners)) is made subservient to such a purpose and unfair and stupid measures are by no means rare.

Broadly speaking, it can be said that modern nationalistic Governments often impregnated with quasi-socialistic ideas, are always willing to interfere when it suits their game, without much regard for ultimate consequences.

Private property has not only been confiscated during the war. Very important expropriations have been arranged for in various peace treaties.

The position of property and capital in foreign countries is much less secure than in the pre-war era. It might be possible to increase it again by the creation of an international trustee, depending on the League of Nations, in whom enemy property would be vested during the war.

V. CONCLUSIONS.

The preceding memorandum is a somewhat lengthy though superficial statement of:

A.

1. International movements of men, goods, transportation and capital.
2. Government actions directing, preventing and influencing them.
3. The results of these movements and these measures of control on international relations.

Notwithstanding its superficiality, it shows already clearly enough:

1. That these movements and measures sometimes improve international relations; sometimes affect them unfavourably; sometimes have no apparent effect whatsoever.

2. That the same movement and the same measure produce in some cases a favourable, in some cases an unfavourable, and in other cases an entirely indifferent result.

3. That some movements and some measures are more indifferent than others; the control of population movements, for example, probably creates more friction than the control of trade in the restricted sense of the word.

B.

This being the case, it might be useful to make a systematic study of these movements and of these measures of control, with the object of elucidating systematically:

1. Which measures of control dealing with the different movements are particularly irritating.

2. Which conditions make these measures particularly irritating in some cases and fairly harmless in others.

3. Is it possible:

(a) To eliminate certain measures which are always irritating?

(b) To formulate safeguards which will restrict irritation to a minimum where and when measures of an irritating nature cannot be avoided?

4. The problem as a whole is this:

(a) As we cannot return to a system of economic self-sufficiency, we must make the system of international interdependence *safe* in peace and in war,

(b) *Just*, in so far as the unequal distribution of natural opportunities must be compensated by the creation of some code of international economic hospitality.

(c) This involves the recognition of the fact that the full legal sovereignty which is still the basis of our international system does no longer have its counterpart in an equally unrestricted economic sovereignty, such as could exist only in a society of nations consisting of more or less self-sufficient units.

C.

As to the methods of dealing with the problem, the following method seems to me the best:

1. The different sections of movements and measures sketched above ought to be handed over to one or more competent experts.

2. It might be useful to divide certain sections for this purpose in subsections. Section II, "Movements of Goods", might be divided into:

(a) Trade and its control in general;

(b) Government contracts (open-door policy, etc.);

(c) Natural resources and their control.

3. The expert ought to be asked to deal with his section systematically from the viewpoint outlined in Section B, 1 to 3. He ought to write a systematic, not an historic, treatise, producing positive systematic proposals at the end of his enquiry. (It is possible, of course, that he will come to the conclusion that no positive proposals are possible.)

4. A small committee, either formed of all collaborators or of a few general advisers, ought to go through the vari-

ous monographs with the view of co-ordinating their results. If they succeed, the monographs ought to be published with this coördinated statement; if not, the publication of individual monographs would have to be sufficient.

5. According to the result, it might be advisable:

(a) To solicit criticism by invitation to persons or institutions;

(b) Or it might be sufficient to let public criticism develop the results without such special invitation.

6. It seems preferable to start with a few systematic treatises, even if they beg the question in some ways. The inverse method of inviting the learned world to produce monographs will no doubt furnish extremely valuable historical materials, but if there is no strong editor, to devote most of his time to the work, the chance of achieving a programme is very small.

III.

MEMORANDUM BY PROFESSOR ANDRÉ SIEGFRIED.

INTRODUCTION.

DEFINITION OF THE PROBLEM.

SCOPE OF THE SUBJECT.

The following resolution was adopted by the International *Economic Conference of 1927*:

"(a) *Economic Tendencies Affecting the Peace of the World.*

"The Conference,

"Recognising that the maintenance of world peace depends largely upon the principles on which the economic policies of nations are framed and executed,

"Recommends that the Governments and peoples of the countries here represented should together give continuous attention to this aspect of the economic problem, and looks forward to the establishment of recognised principles designed to eliminate those economic difficulties which cause friction and misunderstanding in a world which has everything to gain from peaceful and harmonious progress."

The Assembly reminded the Economic Committee of the importance which it attached to the study of this

aspect of the problem of peace, and the Consultative Committee expressed the hope that historians, economists and other students would give attention to this subject. Finally, the Economic Committee, with the Council's approval, stated that this vast problem should be more closely analysed "with a view to stimulating research and discussion among private persons and institutions competent in the matter." We should therefore endeavour here to consider the main subjects of the enquiry, which may continue for several years. It is to be hoped that in this connection assistance will be received from many quarters.

We do not think we need examine at the moment whether economic interests are the principal or, in reality, the sole cause of war; neither do we consider it necessary to investigate to what extent, as compared with strictly political causes, economic tendencies may lead to war (in many—perhaps in the majority of cases—political and economic factors are so closely bound up

together that it is impossible to analyse them separately). It will probably be more helpful to acknowledge at the start that the defence of economic interests may, and frequently does, lead either to the employment of force or to recourse to war—two forms of violence which it is often difficult to distinguish. We should therefore ascertain in what form and circumstances and under what conditions economic interests are the cause of misunderstanding, friction and war.

PSYCHOLOGICAL OR POLITICAL FACTORS CONNECTED WITH THE ECONOMIC SITUATION WHICH MAY LEAD TO WAR.

Private economic interests are naturally tempted to appeal to their Governments for support when those interests conflict with foreign interests: an attempt is thus made to replace pacific, reciprocal and equitable agreements by arbitrary pressure—pressure which is virtually confirmed by force. Moreover, Governments often anticipate this desire on the part of private interests for political support, which gives them a pretext to intervene, apparently on economic but, in reality, on political grounds.

A risk of conflict may thus arise and this is increased, or may even be created, if public opinion in any country regards, or is induced to regard, the dispute from a psychological standpoint, thus introducing an emotional element into the matter. Then the real cause of the trouble is no longer the economic dispute with which it began, but over-excitation of a strictly political sentiment.

PRINCIPAL ECONOMIC CAUSES LIKELY TO LEAD TO MISUNDERSTANDING, FRICTION OR WAR.

With these qualifications, the principal causes of misunderstanding, friction

or war due to economic factors might, we think, be classified as follows:

1. First, we have causes relating to *conditions of production*, of which the chief cause in every country at the present time is undoubtedly the question of obtaining supplies of raw materials.

2. Then there are causes connected with factors relating to *international communications*: for instance, the international movement of ships, aircraft, railways, commodities, and even men; or, again, with the conditions under which a country communicates either with its colonies or with other countries by post, submarine cable, etc.

3. Lastly, there are causes connected with the *expansion of certain countries*; this expansion may take the following forms: the *expansion of trade* (exports and markets); the *expansion of capital* (foreign investments, exploitation of foreign countries or territories by means of capital investment, exploitation of colonies); the *expansion of population* (emigration and settlement colonies).

PRACTICAL UTILITY OF SUCH AN ENQUIRY.

Once the principal causes likely to lead to friction, misunderstanding or war have been recognised, we shall be able to draw up more accurately, by contrast, the principles of a policy capable of reducing or eliminating friction, misunderstanding or war. If they were put into practice by Governments, these principles would help to create an atmosphere and economic conditions conducive to peace.

I. CAUSES RELATING TO PRODUCTION.

REQUIREMENTS OF PRODUCTION WHICH MAY LEAD TO THE EMPLOYMENT OF FORCE.

A country is hardly likely to attempt to procure capital by force; it will more probably have to defend it-

self at times against over-zealous investors who may nevertheless assert that they have the country's true interests at heart. Labour can be obtained by pressure or violence: by means of raids, for instance, or by methods of collective recruiting in which the contract is merely a matter of form. The main reason why such action does not lead to war is because it is generally taken against peoples who are too weak politically to resist.

It is the necessity of obtaining raw materials—the desire to procure or to monopolise the gifts of nature, freely bestowed in one case and denied in another—which is most likely to endanger peace and to cause force to be employed. The struggle is similar to that which ensues in connection with the division of territory in all parts of the world. Industrial development has made this the primary cause of misunderstanding, friction or war, because at the present time all great industrial countries have urgent need of raw materials which are unobtainable in their territory or are only procurable in quantities inadequate to meet their increasing requirements.

THE ACUTENESS OF THE NEED VARIES ACCORDING TO THE CLASS OF RAW MATERIAL.

In the case of agricultural produce, the need is less acute, because it is always possible to grow other crops in a similar climate; in short, there can here be no question of a monopoly at all events, in the long run.

With minerals, however, it is a very different matter, because it may only be possible to find them in a certain country; they can be sought for, discovered and exploited, but they cannot be planted or produced elsewhere. The gravity of this position is increased because it applies, not only to raw materials proper, but to fuel and to the

sources of power which have become absolutely essential to modern large-scale industry: while coal may be found to some extent everywhere, this is not the case with oil; water power may be obtainable in the vicinity, but on the other side of a frontier, and its use by a neighbouring country will depend on the policy adopted by the possessor.

Large industrial countries are becoming by an irresistible movement more and more dependent on others for their supplies of raw materials: at first, they simply converted their own raw products, and this was the start of their development as manufacturing countries; later on, however, the course of their industrial development, which it is beyond their power to control, forces them to import an increasing proportion of the raw materials which they require. In the case of the most highly developed countries, the need to import certain raw materials becomes a necessity of their existence, which is no less urgent than that of obtaining food. The proportion of imports of raw materials to the total imports of those countries clearly shows the extent of their economic dependence on others.

HOW THE ABOVE SITUATION MAY LEAD TO MISUNDERSTANDING, FRICTION OR WAR.

We must here distinguish between the point of view of the buying country and that of the selling country.

The buying country, rightly or wrongly, may fear that certain raw materials may become unprocurable by it, either because they may be kept by the producer or because others may monopolise them. In certain cases, this fear may become a veritable obsession. Naturally, the country will then endeavour to make sure of certain, lasting and, if possible, permanent

supplies of the products which it fears may become unprocurable; for instance, it may attempt to *control* (in the American sense of the word, *i.e.*, to dominate) the undertakings which, in the selling country, produce the raw material required; or else it may urge the Government of that country not to reduce unduly, by means of export prohibitions, excessive export duties or export quotas, the quantity of products which it requires and which it may not be able to obtain elsewhere. Various methods may be employed in connection with a safeguarding policy of this kind, ranging from an absolutely normal and pacific form of contract to war and conquest; effect may be given to this policy simply by the conclusion of a long-term contract or by contractual negotiations with the sovereign State in question; requests may, however, be accompanied by pressure, threats or even by resort to force; the buying country may even attempt to obtain sovereign possession of the territory producing the coveted material, or, what practically comes to the same thing, to establish a protectorate *de jure* or *de facto* there. All these arguments are, of course, based on the assumption that the buying country is the stronger—otherwise pressure would be impossible; this shows the importance of force in connection with the problem of raw materials.

The selling country by its attitude may create an atmosphere favourable to peace or to war. If it refuses to sell, conflict ensues; the supposition is, of course, absurd, but there is a wide range open between full consent and complete refusal. We should enquire to what extent the refusal, whether total or partial, may cause annoyance; it will be so if discrimination is exercised in the treatment of any particular country, or if (even without discrimination) the refusal is actually intended to

apply to a single or what is practically a single buyer, or if a certain price has been intentionally fixed by agreement for the home market and another and widely different price for the export market, and, in general, if the consumer in question is led to think that he is being imposed upon. The irritating nature of such an attitude is, however, only apparent when the producing country is not in a position to transform its own raw materials. A country which keeps its raw materials and only exports them in the form of manufactured or semi-manufactured goods cannot be accused of acting in an aggressive manner. We must not, however, be too ready to assert that in such a case all possibilities of conflict are precluded.

PSYCHOLOGICAL OR POLITICAL FACTORS CONDUCTIVE TO PEACE.

What actually happens when one country possesses the raw material needed by another country? As a rule, the stronger (perhaps we should say the larger or the richer) gets its own way: if it is a producing country, it will dispose of its products as it wishes; if it is a consuming country, it will be tempted to requisition in one form or another the materials which it requires. In that case, it will perhaps be wiser for the weaker country to give way to a sufficient extent to prevent the stronger from attempting to resort to force; it will often be difficult for it to ensure full respect for its sovereignty. It will usually be wiser for the stronger country not to go too far, because it can generally get what it wants without going to war, if not in every case without resort to force. If it desired to go further, this would lead to the assumption that the economic argument was merely a thin disguise for an underlying political motive.

In these circumstances, a reasonable attitude on both sides is more likely to ensure peace. The sovereignty of the producing country doubtless gives it—in theory, at all events—all rights, but it may be wiser for it not to make full use of them. If it does not take advantage of the position in order to obtain undue privileges, if it does not attempt to bully the consuming country, the latter—feeling confident that it will not be imposed upon and will be able to obtain regular supplies of the materials which it needs—will not be tempted to resort to pressure or violence.

What causes are likely to lead countries to adopt an attitude of moderation? As a rule, their own interests will, or should, guide them to do so, because the seller obtains no advantage from bullying his customers or the buyer from threatening his supplier. If they are blinded or carried away by passion, it is still possible for third parties, who are always affected by a conflict, to intervene.

This intervention may be beneficially exercised by international opinion and abuses may thereby be prevented; if an enlightened opinion, conscious of its own powers, were created and developed, it could affirm the recognised principles of what we may call a code of international economic morality, in accordance with which certain practices would be condemned. The practical expression of an international opinion of this kind would take the form of the acceptance of common legislation based on general conventions, in accordance with the work already begun by the League of Nations.

Such legislation will not perhaps prevent the inevitable: certain tendencies, apart from their morality, are too strong to be resisted. Nevertheless, by regulating trade and organising it on normal lines, we should relieve

the buyer of the fear of being unable to obtain his raw materials, to which we have already referred; we should remove the temptation to which he is exposed—or, at all events, any justification for this temptation—to resort to force. The producer would be protected from the excessive ambitions of the consumer, which might do him harm, and at the same time he would be discouraged from arbitrarily taking advantage of a situation the very privileges of which are likely to lead to threats and danger. Finally, the risk of a direct altercation fraught with the gravest dangers would be lessened or prevented.

II. CAUSES CONNECTED WITH FACTORS RELATING TO INTERNATIONAL COMMUNICATIONS.

COUNTRIES DIRECTLY AFFECTED BY FACTORS RELATING TO INTERNATIONAL COMMUNICATIONS.

A self-supporting country will be little affected by factors relating to international communications. These are, however, of the utmost importance to a country which is economically dependent on others either for its imports (foodstuffs, raw materials) or its exports (foreign markets) or for the freedom of its communications in general, and failing which its equilibrium will be imperiled. As a rule, a country whose economic equilibrium depends on these factors tends to become a naval Power, and to interest itself in the freedom or command of the seas.

These same considerations will also apply to a country, even though it is not economically dependent on others, which lies on the main world trade-routes. Such a country may either be tempted to take advantage of its position in order to make extortionate demands (as was formerly done by

countries which collected arbitrary and excessive toll-dues) or—what is more probable at the present time—it may feel that its position is endangered by the intervention of powerful interests utilising the routes which, geographically, it is in a position to control, to obstruct or even to close.

WHAT ACTUALLY HAPPENS IN THE CASE OF A STRAIT OR AN ISTHMUS.

If the country owning the strait or isthmus is a strong country, it will itself regulate the conditions governing use. Its power may be exercised in war-time by stopping the traffic and in peace-time by imposing excessive or discriminatory tariffs, or by subjecting traffic to irksome conditions. If, on the other hand, the country owning the route is not the strongest, it will doubtless be tempted to act as if it were, but in such a case the principal user will be certain to interfere if it is not granted favourable conditions and will end by controlling, that is to say, by itself regulating in its own interests, the conditions governing the traffic. The chief user may even be tempted to seize the position and the surrounding land, either by conquest, the establishment of a protectorate or by any other means affording it military control. If there are several Powers whose strength is more or less equal and who are jealous of each other, they will agree upon joint control; in this case, the solution will differ only in appearance, because it will always be dictated by the strongest country or the strongest group.

POLICY IN REGARD TO WORLD ROUTES WHICH POWERS ECONOMICALLY STRONG BUT DEPENDENT ON OTHER COUNTRIES TEND TO ADOPT.

This policy comprises certain principles which are nearly always adopted by Powers desirous of extending their

activities to all parts of the world. Their primary aim is to make sure of benefiting by the freedom of communications and transit, whether for vessels, aircraft, commodities men or news to be transmitted by post, telegraph or submarine cable; in particular, they desire the free use of international straits and channels. It is equally important for them to eliminate any factor likely to endanger the safety of the principal world routes or to take precautions in advance to deal with any such factors. In peace-time, the freedom of the routes may be sufficient for the purpose, and the Power concerned may be content with exercising what may be termed a "negative" control; in war-time, however, the freedom of the seas will tend to assume the form of supreme control by that Power, *i.e.*, the command of the seas.

Powers with a world-wide radius of action thus feel the need for a large quantity of "political apparatus"—naval bases, coaling stations and oil depots, landing grounds for aircraft, submarine cables with control of the points at which they come ashore, a wireless station, international channels. A policy of this kind is not a peaceful policy, except in appearance, or at all events it is only negatively so. In actual fact, a powerful country does not leave it to others to ensure and guarantee the freedom and safety of its communications: it always aims at controlling these itself. This does not mean that it does not allow others to enjoy the safety and freedom established by it; it means that such a country continues to be the bestower. In these circumstances, there is a difference between actual liberty, which may exist and even be freely bestowed, and final control, the source of which is arbitrary, because it is equivalent to the predominance of an individual country.

INTERNATIONAL CONDITIONS RENDER-
ING THE FOREGOING SOLUTIONS
RELATING TO INTERNATIONAL COM-
MUNICATIONS UNNECESSARY.

If we could be certain that a country enjoying a strategical position on world trade-routes would not take undue advantage of this position, or would not itself fall under the sway of another country which would use its power to promote its own exclusive interests, we should be right in thinking that exclusive control by the chief user would no longer be justified, and the latter might not even consider it necessary.

How is it possible to achieve this result? By the internationalisation of certain regions, which is the classic solution; by treaties between the principal parties concerned, guaranteeing each other equitable conditions (for instance, the Hay-Pauncefote Treaty concerning the Panama Canal); by conventions in the application of which the principal parties concerned have sufficient confidence, in time of war as in time of peace, to refrain from taking *one-sided* action to protect their interests; by the international acceptance of what might be called certain principles of international morality in regard to world routes: for instance, the guaranteeing of a right of passage for all, irrespective of nationality, or the guarantee that, in the application of tariffs, there shall be no discrimination in respect of the person or the destination (these two principles might now be regarded as generally accepted). From the purely economic standpoint, the solution would not need to be carried any further in peace-time. Such a solution may, however, appear inadequate to the powerful interests concerned, because, on the one hand, they do not know what would happen in war-time and, on the other, they may be influenced by political as well as by economic considerations.

The traditional policy of the great countries concerned has been to undertake the task of supervision themselves and it may be said that, as a rule, they have extended the benefits to all. Nevertheless, the precarious nature of such freedom cannot be denied. It is a peaceful solution only in the sense of being a *pax Romana*. At the same time, there may perhaps be no better substitute to-day. It is certain, however, that, if a recognised code of international rights and obligations in regard to communications were established, unfair treatment of the users of the main world routes would gradually become less frequent, and the temptations and pretexts to establish exclusive and unjust control would be continuously reduced.

III. CAUSES CONNECTED WITH THE EXPANSION OF CERTAIN COUNTRIES.

CONDITIONS AND CIRCUMSTANCES TO WHICH ECONOMIC EXPANSION IS DUE.

When a country has reached a certain stage of development, either as regards the number of its inhabitants, its industrial progress or the standard of living of its population, it naturally feels the need for economic expansion. It then ceases to be completely self-sustaining, because its territory or its natural resources become inadequate for its increased requirements and it is forced to depend to some extent on other countries and, in one form or another, to obtain some part of its means of existence from abroad. Such a country then comes to take an interest in the affairs of the others. This may be conducive to peace, but it can also lead to war.

Expansion may take various forms. For instance, there may be an expansion of manufacturing manifested in the form of exports and efforts to

secure foreign markets. Expansion may also take the form of the export of capital: foreign investments, development of foreign countries (by the establishment of undertakings in those countries), exploitation colonies, *i.e.*, colonies regarded as places in which to invest capital and establish undertakings rather than as places in which to settle. Lastly, there may be an expansion of the population by emigration to foreign countries or by the settlement of territories which have no definite owner. A country may expand in all three directions simultaneously; if, however, expansion is not possible in one of these directions, it is proportionately increased in the other two; for instance, if an over-populated country cannot dispose of its surplus population by emigration, it will have to create industries and export manufactured products.

This gives rise to grave problems. To what extent should other countries be required to submit to the invasion of an expanding country? In actual fact, expansion is due to developments over which men have no control, even though they may believe they have. It is, we think, futile to consider whether this expansion is legitimate; it must be accepted as a fact and efforts must be made to diminish its most dangerous consequences.

Experience shows that, even if it is pacific in appearance, the expansion of strong nations is based on force, and that expansion can only be resisted by force, even though, in this latter case also, it is still pacific in appearance: for instance, immigration laws could doubtless not be maintained in the face of the protests of the countries which they exclude unless they were directly or indirectly supported by political or military strength. When expansion is enforced or checked by compulsion in this way, it is liable to be enforced or

checked without any guarantee of moderation. However, in the case of a natural disequilibrium, for which a remedy is essential, it is always premature to suppose that the question has been finally settled by force: if the initial causes of the disequilibrium persist, natural equilibrium will always tend to be restored sooner or later, in one form or another. It is often difficult to say which is the more interesting—the country whose population is obliged to emigrate or the country which is striving to avoid taking these emigrants, the country which needs to expand or the country which fears the expansion of others. It may perhaps be said that, in general, expansion is in the interests of production, if it is not always in accordance with moral principles.

In these circumstances and from an international standpoint, should these natural movements be opposed or encouraged? A satisfactory answer is impossible. Efforts might, however, be made to regulate such movements by subjecting them to certain conditions and providing safeguards for the country with a surplus population, the country receiving that population and for other countries.

A. *Expansion of Trade.*

The Extent to which a Country needs to export.—While exportation may be regarded as a necessity for certain countries, this applies only to exports in general and not to exports to any particular market. It can hardly be maintained that one country has any right to export to a certain other country, because it is always possible, even though it may be difficult, to transfer sales from one set of customers to another. In these circumstances, the desire to export is hardly likely to lead to war. It may, however, cause friction and a strained situation may ensue.

We must distinguish between the

exportation of raw products and of manufactured products: as a rule, the former are easily disposed of, and in many cases buyers are only too eager to obtain them (this brings us back to the difficulties concerning raw materials); on the other hand, manufactured products are difficult to place and resistance to their importation is an obvious source of difficulties, which may lead to political crises.

Conditions likely to lead to Disputes in this Connection, to aggravate them or to make them less acute.—General defensive measures, even if irksome, designed to prevent the importation of foreign commodities are less dangerous than measures involving discrimination against any particular country. On the other hand, uniform Customs practices—for instance, those which conform to generally accepted international principles—will create a pacific atmosphere, even with a considerable amount of protectionism, if they counteract or eliminate any unfair treatment in individual cases. The work undertaken in this connection by the Economic Committee of the League of Nations makes any comments on our part superfluous.

B. Expansion of Capital.

Various Forms of this Expansion.—This expansion may take many different forms: loans to States with a view to political domination (such cases, which are very frequent, are of a political rather than an economic nature, and consequently do not come within the scope of our subject); the investment of capital in a foreign country, either in the form of a private loan or to a foreign State, or of loans to private persons or companies in a foreign country; the management of undertakings by foreigners in a country and, in particular, *concessions* obtained from a State including the grant of special

privileges. There are many fine gradations between investment pure and simple and concessions involving partial loss of sovereignty for the State granting the concession.

Political Consequences of these Various Forms of Investments.—In the first case (political loans), these may easily lead to the establishment of a protectorate, *de facto* or *de jure*. In the second (investment of capital), pledges may often be demanded at a given moment, and these may sometimes involve an actual loss of sovereignty. But international opinion, mainly influenced by envious third parties (and not so much as a question of principle), is inclined to disapprove the taking of these pledges or, at all events, to demand that this should be done internationally. It cannot be denied, however, that very powerful countries, in regions which they regard as under their influence, refuse to permit this internationalisation of their action. In the third case (undertakings and concessions), the final result is usually the establishment of an exploitation colony in a more or less open form.

Circumstances which may promote or check these Developments.—The foreign lender, investor or owner of an undertaking will naturally be tempted to have recourse to political intervention (*i.e.*, to urge his Government to exercise political pressure) if he does not feel certain of the security for his loan, if his operations are hampered or are in danger of being hampered by a revolution, by new legislation injurious to his interests, or by bullying or interference on the part of the local authority.

On the other hand, this political intervention will be delayed or even avoided altogether if the undertaking can be carried on under stable conditions, provided, however, that the owner of the undertaking has no

ulterior political motive (in which case he could always find some pretext or other for a complaint). Similarly, intervention will be avoided if the country in which the undertaking is being carried on is strong enough to resist or has another Power behind it to back it up; this will also prove to be the case if there are several owners of different nationalities, who are jealous of each other (unless they agree upon joint intervention, in which case the independence of the country in which their activities are being pursued is again endangered, although in a different manner).

Problems raised in this Connection.—

The most important problem concerns the right to exploit, the right not to exploit, the duty to exploit and the right to exploit in place of the country which does not do so—for instance, if one State does not work its resources, is another State entitled to do so in its place? If one State has not the right, can this wealth be exploited by a group of States? From a moral standpoint, it would be hard to find an answer.

What actually happens is that the *will to produce*, which is a form of the *will to live*, always conquers in the end. This means that production will take place unless it is prevented by a stronger Power. At the present time (we may ask whether this has always been the case), it seems more difficult to prevent production on the part of mankind than to promote it. If this is so, a wise country will not oppose what is in fact a necessity, but will merely endeavour to safeguard its independence in spite of this necessity.

Solutions.—The solutions to be adopted can thus be foreseen.

In these circumstances, a sovereign State cannot defend its rights, or, more correctly, its existence, unless it refrains from insisting too strongly on

respect for all its rights; otherwise, sooner or later, its resistance will be broken down by force or it will be corrupted by money; the vital impulse which urges humanity to produce is stronger than sovereign rights.

The dangers resulting from this fact are obvious: there is a danger of servitude for the State which is forced to submit; for third parties, there is a danger that their interests may be injured if intervention benefits one party only. If servitude and the perils of servitude, both for the victim and for third parties, are to be avoided, the State making concessions (even against its will) must do so without any risk to its independence; the State making the application must respect the reasonable rights of third parties (can these, however, be defined?); the State to which applications for concessions are made must feel that it is protected by international opinion; and the State applying for concessions must also feel that it is being watched by this opinion.

As we have already observed, supervision of this kind has always been exercised spontaneously through jealousy, but it should be made more dignified, more permanent and more responsible. Principles should first be established, setting forth the attitude which each party is expected to adopt, demands which will be considered legitimate, guarantees which may be demanded and obtained. The rules of conduct based on these principles might develop into international practices. A complete policy might be built up in this way, for instance, with regard to international credits, undertakings in foreign countries whose sovereign rights might possibly need protection, etc. The mandate system, as it has been applied since the Treaty of Versailles, affords an example of intervention of this kind.

C. Expansion of Population.

Emigration without the Political Support of the Emigrants' Government.—We must distinguish between emigrants who can and those who cannot be assimilated.

If the emigrants belong to a race which can be assimilated by the new society in which they settle, they will probably be so assimilated, unless they arrive in sufficient numbers to impose the stamp of their race on the original inhabitants. If the emigrants belong to a non-assimilable race, they will only be able to settle in the country individually if their standard of living is higher than the average standard of the people among whom they establish themselves (they will then become the heads, the managers or foremen of concerns). If, on the other hand, their standard of living is lower, then they will replace the lower strata of the original population.

What naturally happens in these two cases? In the first case (assuming, of course, that there is no political intervention), difficulties will rarely ensue. In the second case, the result will be the substitution, by surreptitious means as it were, of one civilisation for another, rather than a political conquest; thus a former settlement-colony may gradually be converted into what is practically an exploitation or plantation colony. The former race will now exist merely as supervising personnel, while the character and race of the workers will have changed. This contingency has not escaped certain non-European countries, and this explains their uncompromising refusal to accept emigrants belonging to races which they do not consider assimilable.

Emigration with an Ulterior Motive on the part of the Emigrants' Government.—In this case emigrants, even if assimilable, endeavor to avoid assimilation by the new society in which they

settle; their Government, at all events, desires them to remain separate. If this policy is successful, they intentionally and systematically form homogeneous and separate groups; in some cases they claim special political rights—rights which might possibly endanger the political unity of the State in which they form a foreign element.

The result of immigration of this kind is eventually to destroy the moral, and in some cases the political, unity of the State. Force or war may be employed to support the immigrants' claims, which are naturally resisted. If these claims are finally conceded, the probable result will be the *de facto* establishment of a colony.

Problems raised from the Point of View of Over-populated Countries.—We must first consider to what extent a country needs to find outlets for part of its population. As an alternative to emigration, the country must export more goods, or possess exploitation colonies (*i.e.*, colonies for which it provides capital), or reduce either its standard of living or the size of its population.

On the other hand, if the people emigrate, are they to go no matter where? Obviously not, since only certain climates will suit them. Again, they can only emigrate to sparsely populated territories: if they emigrate to countries which already have a large population, they will only be able to settle among peoples whose standard of living is higher than or the same as their own.

Lastly, to what extent have emigrants the right to refuse to be assimilated by the country in which they settle? The individual may do what he likes without attracting much attention. When the emigrants are considered collectively, however, especially when they are definitely supported by their Government, the question assumes an entirely differ-

ent aspect. If their number is sufficiently large, if they possess sufficient moral and physical strength and form a collective body, the immigrants can, either entirely or to a very large extent, avoid assimilation by a relatively weak society. If, on the other hand, they are themselves weak while the other country is strong, they will not be able to hold out. But, apart from all political action, if they belong to a non-assimilable race and are more frugal in their habits than the people among whom they settle, they will end by securing their position, as it were, biologically.

Problems raised from the Point of View of the Countries receiving the Immigrants.—To what extent are such countries entitled to refuse immigrants? This refusal is, of course, strictly within their sovereign rights. In practice, however, they only can refuse if they are strong enough to do so, because, in reality, immigration laws are only maintained by military strength; otherwise those whose interests are thereby affected would use force to have them withdrawn.

On the other hand, is it possible to discriminate between immigrants—that is to say, to refuse those who are non-assimilable or are so regarded, to discourage those whom it is difficult to assimilate, and to reject those who are not willing to be assimilated? Can exceptions be made, not only in respect of races, but in respect of countries? In short, is discrimination, which we are endeavouring to eliminate in regard to the exchange of commodities, to remain in the case of the exchange of population?

The gravity of these problems will be recognized by all, especially as we have to ask ourselves to what extent these refusals are anything but political solutions. Experience shows that artificial barriers to prevent immigration may prove impossible to surmount.

Nevertheless, can force be regarded as a final solution in the case of a permanent racial disequilibrium? It is well to remember that although this is a political, it is not a biological, solution.

The Possibilities of International Action.—In the long run, it is doubtless difficult and even impossible to fight against biological disequilibrium; if barriers are raised, they will last as long as a country is strong enough to maintain them, but the pressure will continue and will in all probability take other forms.

Nevertheless, agreements can be drawn up between countries exchanging their inhabitants, especially as, in certain cases and subject to certain guarantees, immigrants may be welcomed and desired by the countries receiving them. There have been, and still are, a large number of treaties concerning the admission, refusal and limitation of immigrants or labour; there is no reason why concessions and advantages should not be equitably granted by both parties to such treaties.

In future, it may perhaps be possible to go further and to determine or influence by agreement the actual size of populations—for instance, in order to reduce the international pressure of an over-populated country. Shall we one day witness an international conference for the limitation of births in certain countries or groups of countries?

In the same spirit, we might enquire whether it will be possible, in regard to this same question of the exchange of population, to pass from the contractual to the international sphere. Can we devise principles of international value to be embodied in international conventions which would diminish the grave dangers resulting from the disequilibrium of populations? It is premature to attempt to answer this question, the problem is certainly one that can be studied and is deserving of study.

SUPPLEMENT

FOREIGN LAND PROBLEMS

Edited by

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INTRODUCTORY COMMENT

It was originally intended to include the following articles in the March, 1930 volume of *The Annals* on "Real Estate Problems," but several of them arrived too late for inclusion and it was therefore decided to publish all of them in a separate supplement, under the title "Foreign Land Problems."

The articles on land problems in various Central European countries set forth clearly land policies which have been evolved in postwar years. They indicate a definite tendency on the part of governments to encourage land settlement in small, self-sustaining economic units, and reflect a reversion to small-scale agriculture. Whether this movement is fostered by a desire for self-sufficiency or to cultivate the spirit of nationalism which has been so conspicuous in various countries in late years, the fact remains that a number of Central European countries have definitely resorted to a policy of expropriation of large land holdings.

Two distinct tendencies in rural land utilization are apparent today. In Russia, constant emphasis is placed on collectivization of agriculture, on the combining of small individual holdings into ever larger integral units. The trend toward concentration in agriculture in the United States in recent years, as reflected in large farming corporations, is likewise apparent. In view of these tendencies, it is interesting to note the opposite movement in rural land utilization in some countries. The possible economic and social effects of these opposite developments should invite the serious attention of all students of land problems.

Acknowledgment is herewith made to the several authors of the respective articles for their valuable contributions to a better understanding of "Foreign Land Problems."

KARL SCHOLZ.

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Municipal Housing Development in Vienna

By EMMY FREUNDLICH

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IT is not easy to understand under what conditions the housing problem has been placed before the whole community in Austria, since no other country has experienced such a great change in its economic life as has this small new country in Central Europe. In particular, a country like America, which has not experienced inflation and deflation in recent years, will have some difficulties in understanding the new means which had to be found in Austria for helping the people to get houses. If frequently the housing work of the municipality of Vienna is marked as "real Bolshevism," it is merely because foreigners do not understand all of the difficulties. Before we can describe what has been done in Vienna, we must first portray briefly the situation as it formerly existed.

POST-WAR FINANCIAL SITUATION

After the World War, the new Austrian Republic had not only lost the market of the old Empire, but also the foundation of its currency. The Austrian "Crown" rested on the property of the old Empire, and not on that of the poor and small country which is now Austria. Thus inflation, resulting in the devaluation of money, may be attributed to the new provisions of the peace treaties. All people who had money invested in securities, such as shares and mortgages, or in banks and savings funds, as deposits, lost all, and most of them had no possibility of salvaging anything from the debacle. Not only the money of private persons was lost; the capital funds which were necessary to reconstruct the economic life were also gone. The country was

without capital and largely without houses. During the war practically no houses were built, and the roads which Austria had reconstructed with the labor of prisoners of war were in the new states or in Italy. But nothing was done for the new Austria, which was never very important to the economic life of the old Empire. Only Vienna, the north of Styria, and some parts of lower Austria were of importance. In such a situation, nobody could help under the old forms of economic organization and nobody could wait until the reconstruction of the new economic foundations was finished. We would not have had one house built if we had waited, since the reconstruction of Austria is not completed even today. It was necessary to find other ways.

Moreover, the situation in all housing questions was made more difficult, since in the old Empire, by an order from the Austrian Emperor, it was forbidden during the war to ask more money from the tenants and to increase the rents of lodgings. The order was to prevent the housewives of soldiers, who could not pay higher rents, from being evicted from their homes. After the war, at a time when we had no foodstuffs, no money, and when thousands of people were unemployed, it was necessary to change the imperial order into a law which constitutes the *Mieterschutz* (tenants' protection) for the time being. Thus, the rents of tenants are very low in Austria, and no one who would build a new house could get an increase from rentals sufficiently high to be able to pay the interest on the invested capital. If the majority

of a nation has lost everything it has accumulated, because of the reconstruction of the state, the nation has the right to ask that the others, who have not lost their property, since it was invested in houses, should sacrifice a part of their rents to help the poorest people in the world. This is not Bolshevism, but justice.

But, the new law provides that the tenant shall pay for all that is necessary to keep the houses in order. Thus, the rent of every tenant is divided into three parts, one part being given to the owner. Five per cent of the value of the house in pre-war "gold crowns" is the new rent allotted to him. The tenant also has to pay the cost of light, the cleaning of the floors, the repairing of the roof, and all other parts, which are used jointly by all tenants and not by one tenant only. This part is called "costs of production." The third part must be used for new additions and improvements to the house. For this reason, the third part is put in a fund which is administered by the

THE HOUSING PROBLEM

New houses have been necessary in all countries where during the war no new houses were built. In all states the housing problem had to be solved. The municipality of Vienna has adopted the following measures in the solution of this problem. If someone has a home, he is richer than the person who has no home, or who has only one room. All people who have rooms, who are better off than the others without a home, must pay a tax, the proceeds of which are spent for new houses. The larger lodgings pay more, while the smaller ones pay less. When the owner collects the rent, he also collects the tax, called *Wohnbausteuer* (tax for dwelling construction) and receives ten per cent for his work as collecting agent, but never more than twenty schillings (three dollars) per month. The *Wohnbausteuer* is levied on a rapidly rising scale. The tax from every lodging in 1924 was collected on the following scale:

Of the first	600	gold crowns	in pre-war rent—	3	per cent
Of the next	600	"	"	4	"
"	"	"	"	5	"
"	"	"	"	6	"
"	"	"	"	7	"
"	"	"	"	12	"
"	"	"	"	15	"
"	"	"	"	18	"

owner and from which all the costs of renovation are paid. If there is not enough money in the fund, it is possible that by negotiations between the owner and the tenants it may be agreed that the rents will be increased for a short time, and thus the money that is required is made available for the renovations. Thus, the owner has no income from the house rents except the five per cent of pre-war valuation, but the house is kept in repair and will not lose the value which it possesses.

For rooms for which more than six thousand gold crowns were paid in rent before the war the scale follows a new progression, but we have only a few such lodgings and stores in Vienna. Also, for the stores we have a scale which begins with nine per cent and rises to twenty per cent. What this means, we can show in a few typical samples. (See table).

These charges are distributed among various classes in such a way that 82.078 per cent of all lodgings and

Pre-War Rent (in gold crowns)	Type of Lodging	Taxes for One Year (in schillings)	Per Cent
360.....	Workers' home	10.80	2.083
600.....	Simple middle-class home	18	2.083
1,200.....	Better middle-class home	42	2.43
1,800.....	The same in better districts or	72	2.7
2,400.....	better constructed	108	3.125
3,000.....		150	3.47
5,000.....		420	5.83
10,000.....	Luxurious lodgings	1,620	11.25
50,000.....		22,770	31.625
100,000.....		52,770	36.64

stores in Vienna, that is, 519,413, have to pay the lowest of the taxes in the scale, and only 22.332 per cent of the tenants must pay higher taxes. Eighty-nine of the most expensive houses in Vienna, each yielding more than one hundred thousand gold crowns in rents annually before the war, pay 4,173,848 schillings for lodging, which is equal to the sum which thirty-five thousand workers' homes must pay on rentals of six hundred gold crowns in pre-war time. In 1928, the municipality of Vienna raised 35,800,000 schillings from the lodging tax. Every year it is possible to obtain more, because new houses are being built, and every tenant who wants to get a home must pay the tax. The housing tax will not yield all the capital which is necessary for all the new houses that the municipality of Vienna desires to build. Since the municipality levies a large number of other taxes, it is possible to use in the neighborhood of one hundred million schillings every year for new houses.

HOUSES FINANCED BY TAXES

It is too complicated and requires too much space to explain all the other taxes, but the most important thing is that all houses are financed by taxes, so that no capital savings are invested, since taxes are not constant

capital. They are paid for one year and are used in the same year. That is the reason why the lodgings can be built very cheaply, and all foreigners who come to see the new houses are always astonished at the low rents paid. Only small lodgings are built, since the need for cheap lodgings is much greater among the poorer classes than among the richer ones. For one room, a kitchen, and a reception room (*Vorzimmer*) people must pay from ten to twelve Austrian schillings per month (\$1.50 to \$1.80). The rent is paid per square meter of floor space, so it is difficult to say exactly what every lodging costs. But all small lodgings do not pay in taxes and in all other duties more than two to three dollars a month. Poor people, such as the Austrians, with almost one hundred thousand out of six and one-half millions constantly unemployed, could not continue life if they did not have protection and some help for the poor.

The municipality at first promised to build twenty-five thousand lodgings. Up to the present time, it has built forty-five thousand lodgings, and soon sixty thousand lodgings will be completed in Vienna, owned and built by the entire community of Vienna.

The new houses are not houses such as the private owners have always built.

Larger houses are cheaper than small ones, so the municipality has, with the help of architects, constructed a new style of dwelling. The houses are small parts of the city rather than individual houses. They have courts, gardens, playgrounds for children, electrically equipped kitchens, bathrooms, and other accommodations. The gardens are very nice, and the municipality has an army of gardeners to keep all grounds in order. Flowers are always found in these gardens, and there are pools in which the children may play, which we call in German *Plantchbecken* (splash basins). Only two tenants have their lodgings on each partitioned floor, so that if two hundred or more families live in such a tenement, all have the feeling of being alone on their floor. Every lodging has a gas cooking stove and electric lights—something very new in Europe—a kitchen sink, and a small laundry with stationary tubs so that the kitchen can be kept clean. Lodging standards were not very high before the war and most of the lodgings were badly built, with very poor accommodations. Most of the new home installations which are common in America were unknown to the poorer people in Vienna. The new houses for the first time provide for the poorer people all these things which they never before had. The improved lodgings and the better home life have given a new direction to the culture of the whole people.

Not only were capital funds necessary to build new houses. The land had also to be gotten, in order to build the houses in large gardens. It was very difficult to get the lands cheaply, and all the old houses were no longer fit to be used. It was fortunate that no private owners were in the market for lands to be used for dwellings, so that the only buyer was the munici-

pality of Vienna. Being in need of capital funds, the owners of such lands had to sell, and so they sold their estates to the municipality, which in the last year bought 16,430,000 square meters of land. In 1927, it was the owner of 26.51 per cent of all land in Vienna, exclusive of the streets, the public squares, and the rivers.

PROVISIONS OF THE NEW LAW

This summer, after a heavy struggle, we obtained the passage of a new law for the *Mieterschutz*. Now the owner receives for every gold crown on pre-war rents twenty *Groschen* for the lodgings with a rent up to twelve hundred gold crowns, and twenty-three *Groschen* for the higher rents up to two thousand gold crowns. For still higher rents, voluntary leases may be made between tenants and owners. The owner must now pay out of the higher rent the cost of additions and improvements, and only the "costs of production" and the taxes are paid by the tenants. This concession had to be made to obtain the agreement of the state to loan four hundred and fifty million schillings in the next three years to other towns and smaller municipalities, which have no right to levy their own taxes, as does Vienna. Vienna is not only a municipality, but also one of the small states of Austria, which is composed of a federation of states, like Switzerland. This gives Vienna the opportunity to enlarge the program for new buildings in the next years, and the new law will afford Vienna the opportunity to condemn old houses when the owner will not sell them, or will sell only at prices out of proportion to their values. Frequently the municipality was not able to buy such old houses, even if it was no longer possible to allow people to live in them, since speculators who owned them tried to realize higher prices. Now it is possible in such cases

to set up a commission of public bodies, which can decide what is to be paid, and the owner must sell the house and accept the established price.

It is a large organization which is necessary to realize the new housing plan set up by the municipality of Vienna. All the houses are built by the building department of the municipality and all materials are bought by this body, so that it is possible to get the lowest prices. Thousands of workers in nearly all industries have secured work as a result of this housing scheme, and if we had not had building by the city of Vienna we would have

had some thousands more unemployed.

When foreigners come to our country they will see that a new Vienna is in the making, and soon the municipality will try to destroy the old houses in all parts of the city and build not only new houses, but also a higher culture for the people in all the lodgings, cheap and healthful. If we ask what is our duty toward developing adequate housing for a people, we must say: Keep them in good health, make them happier, and give them more culture, but ask little money for all this. That is the plan which we are trying to realize in Vienna.

Public Guidance in Rural Land Utilization in Denmark

By K. J. KRISTENSEN

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THE fundamental principle in Danish legislation with regard to land division, which is the very basis of land utilization, is to preserve the existing independent farms and to encourage the establishment of new farms in order to secure to the greatest possible extent an independent living for the rural population.

This tendency in Danish legislation had its historical origin centuries ago, and emanated from several somewhat different sources: the opposing interests of the peasantry and of the feudal landlords; the military and financial interests of the Crown, in protecting the farmers and in preventing their land from being converted into tax-free manorial land under the direct ownership and cultivation of the landlords; and, occasionally intermingled or identical with such economic and political reasons, the more social aim of insuring the welfare and well-being of the people.

This trend has been followed with rather small deviations, no matter whether the conditions existing at any time were favorable to large or to small holdings. The social aspect has gradually come more and more to the front and has now, after some experiences during the World War, found a very clear expression in two acts, dated April 3, 1925, with regard to agricultural holdings and the division or the assembling of such holdings.

PRE-WAR ECONOMIC CONDITIONS

Until the outbreak of the World War economic conditions had for a very long period of time been favorable to small holdings and medium sized farms. Under such conditions, legisla-

tion which aimed at the preservation and the creation of the greatest possible number of independent holdings resulted in a steady increase in the number of existing independent farms, in spite of the inevitable transformation of agricultural lands to non-agricultural uses.

During the war, and for some years following, economic conditions were favorable to large grain-growing farms and were unfavorable to small farms, which are chiefly devoted to animal production and are to a great extent dependent on the import of foreign fodder.

Under these circumstances, practically all subdivision for the establishment of new small holdings ceased, while at the same time a number of existing small holdings were purchased for the enlargement of farms.

To retard this tendency, provisional legislation was enacted in 1918, which prohibited the closing down of any existing farm. This provisional legislation, which was renewed from year to year, was replaced by permanent legislation in 1925.

The act of 1925 states that an existing agricultural holding shall in the future be continued as an independent holding; that it shall have buildings and occupants who cultivate the land and inhabit such buildings; and that no part of the land shall be joined in the rotation of any other farm.

No part of the land of an agricultural holding can be leased for a period longer than five years without the special consent of the Ministry of Agriculture, which consent is not to be given unless such land can be legally

separated by sale from the agricultural holding in question. If the buildings of an agricultural holding should be devastated or damaged by fire or otherwise, the owner is forced by law to rebuild or to repair the necessary buildings.

Buildings are to be properly insured against fire in a recognized fire insurance company.

DEFINITION OF AGRICULTURAL HOLDING

An agricultural holding is considered to be any holding with at least one hectare¹ of land having a land value of at least one thousand crowns,² which is wholly or partly used in the growing of agricultural or garden products, or in the cultivation of fruit or seed, and which is at present improved with buildings occupied by the persons who cultivate the land. All properties included in the act shall be recorded as agricultural holdings by the Register of Title Deeds and Mortgages, and the duty of enforcing the act rests upon the police authorities and assessors who make the general valuation for purposes of land value taxation.

In connection with the act on agricultural holdings, a special act of April 3, 1925, makes provision for the detachment of parcels of land from agricultural holdings, whether for the establishment of new holdings or for the enlargement of existing farms. In accordance with the principle laid down in the act, such detachment may, as a rule, be made only when the remaining principal parcel of an agricultural holding is large enough to support a family. The area which is considered necessary increases, according to the fertility of the soil, beginning with seven hectares of the most fertile soil.

¹ 1 hectare = 2.47 acres. (Editor's note.)

² 1 crown = 26.8 cents at par. (Editor's note.)

The Ministry of Agriculture may consent to exceptions from this general rule when justified because of special circumstances. The most important instances of this nature are enumerated by the act:

(1) When the land of an agricultural holding consists of dispersed and distant lots, or when (in case of barren soil) the area is so large that a further detachment is reasonable.

(2) When an urban district has developed near the property.

(3) When land is required for public use.

(4) When land is required for building lots; for allotments; or for the erection of small holdings.

(5) When the market value of the land is considerably higher than is its value as agricultural land.

The addition of land to an agricultural holding is always permitted, provided that the detachment can legally be effected and provided that no agricultural holding is closed down. On recommendation of the Municipal Council, the Ministry of Agriculture may permit the amalgamation of small holdings, provided that the total area does not exceed three hectares if the land is of the best quality, or equals a corresponding area of an inferior quality of land. The observance of the law is assured by the fact that a parcel cannot be detached without the consent of the Ministry of Agriculture and that no legal transfer can be effected or recorded by the Register of Title Deeds before such authorization has been obtained.

DEVELOPMENT OF NEW HOLDINGS

These two laws have the effect of insuring the maintenance of all existing independent holdings, if farming is the most profitable use of the land. At the same time, the possibility of subdivision for the development of new

agricultural holdings is always open. When economic conditions are unfavorable, the result will be a constant increase in the number of independent farms. Furthermore, the establishment of new large estates will be practically impossible, inasmuch as this can very seldom be brought about without closing down existing independent holdings.

It should be mentioned that associations which are formed for the sole purpose of buying farms having an area of not less than forty hectares, for the purpose of dividing them into small holdings, can be granted a loan, not exceeding the capital owned by the association and not exceeding one hundred thousand crowns.

In various ways the state will give direct support to the development of new agricultural holdings. The most direct and efficient support has been effected by the different acts regarding the development of small holdings, and by the special land acts of 1919, by which glebe land and land taken over by the state from fiefs, family estates, and entails was disposed of for division into small holdings.

Since 1899, aid has been granted for the formation of small holdings. Until 1909, the holdings which were developed by such aid were too small to support a family, but since 1909 the aim of legislation has been to develop holdings large enough to do so.

The support of the state was given by granting a loan, amounting to nine-tenths of the total cost of the holding. A low rate of interest was charged and the loan was repayable in installments over a long period. When prices went up during the war, a direct subsidy for the erection of buildings was granted and in later years this practice has been continued by granting a part of the public loan free of interest. In this way fourteen thousand small hold-

ings have been developed since 1899, the loans and the grants from the exchequer amounting to one hundred and thirty-two million crowns.

The act now in force was passed in 1924, but some amendments were enacted in 1927 and 1928. According to this act, the holdings must have an area of at least two hectares, if the land is of medium quality. The average area per holding has in recent years been about eight hectares. The loan for the erection of buildings must not exceed a maximum amount per holding, which amount is fixed for every fiscal year by the Ministry of Agriculture after hearing the reports of the Finance Committees of Parliament. For the year 1930 this maximum is fixed at nine thousand crowns, and the loan for the purchase of land is not to exceed a maximum of seventy-five hundred crowns.

PUBLIC LOANS

The public loans granted are not to exceed nine-tenths of the total value of the holding, plus stocks and implements, and cannot exceed the purchase price of the land and the cost of the buildings. The rate of interest is four and one-half per cent. Out of that part of the loan which is granted for the erection of buildings the holder will have to pay interest on eight thousand crowns only, if this loan is the maximum, and a corresponding amount, if the cost of buildings is lower.

When five years have elapsed from the time of the granting of a holding, the loan is to be repaid by installments over a very long period of time, the installments at first being only one per cent of the building loan. The part of this loan which is free from interest is paid off first.

Since 1928, public loans have been granted for the development of hold-

ings of considerably greater size in those districts having comparatively small populations. In such districts, holdings may be established with a maximum loan for the purchase of land of fifteen thousand crowns and a maximum cost of buildings of twelve thousand crowns. The holdings are transferred to the holders as freehold property, except that certain services are compulsory for the purpose of insuring the maintenance of the properties as one independent and undivided holding, as security for the public loan, and so forth.

The individual requirements necessary to obtain a public loan are that the prospective holder: (1) enjoy the rights of a citizen of Denmark; (2) be of age (as a rule he must be at least twenty-five years and not over fifty years); (3) shall not have been sentenced by any court for an action dishonorable according to public opinion, and for which he has not been rehabilitated; (4) shall not have received poor relief from the parish, which has not been repaid or remitted; (5) shall have earned his livelihood by agricultural work for at least four years after his seventeenth year; (6) be able to procure a testimonial from two trustworthy persons thoroughly acquainted with his affairs, to the effect that he is a sober and thrifty person who may be supposed to be suited for taking over such a holding; (7) be the owner of sufficient means to take possession of the holding; and (8) be unable by his own means to acquire a property of the kind contemplated by the act.

FUNCTION OF COUNTY COMMISSIONS

The purchase of land and the erection of buildings is left to the holder himself, although it may be the duty of the parish council under certain conditions to designate land for that purpose. The administration of the

act is entrusted by the Ministry of Agriculture to local commissions—County Commissions for the creation of Small Holdings. These commissions are expected to guide the would-be holders to the best of their ability both with regard to the purchase of land and to the erection of buildings.

Very important has been the coöperation with associations for the purpose of dividing larger farms into new holdings. Through these associations it has generally been possible to obtain land at a more moderate price than by the ordinary purchase of a single parcel.

Although a considerable number of new holdings have been created in accordance with this legislation, well-founded criticism has arisen, based especially on the experiences with regard to the purchase price paid for the land for such small holdings. Investigations have shown that the average price paid for land without buildings for the creation of small holdings was practically the same as the price paid for land with buildings when ordinary farms were sold in the open market. The price amounted to eighty per cent more than the current valuation for land value taxation, according to which the land had to be assessed at its market value, on the assumption that it belonged to a medium sized farm.

It seemed evident that at least part of the public support would be lost by granting purchase money for land. It might be feared that the greater price paid for land for the creation of small holdings with the support of public loans would increase the price to be paid for agricultural land in the open market by persons without such support, and that in this way public activity for the development of small holdings would mean a check on private enterprise in the same direction. At the same time, it was argued that high land prices and the resulting heavy

mortgaging of new holdings would be a menace to the holder, especially when conditions of agriculture were becoming less favorable.

THE LAND ACTS OF 1919

As a result of this criticism new methods were adopted under the land acts of 1919. The principle laid down in these acts was that public land, or land acquired by the state, should be available for subdivision, that the transfer of land should be at a fair and a reasonable price, and that the tenure of the holding should be of such a nature that the holder should be relieved of future decreases or increases in the prices of land.

The land acts of 1919 include two separate acts, dated October 4, 1919, under which the conditions of sale are settled for glebe land and for agricultural land belonging to the state. A third act of the same date assures to the state considerable areas of agricultural land and considerable funds for this purpose, by permitting or rather compelling existing fiefs, family estates, and entails to be converted into freehold property, on the condition that a considerable part of the land and of the capital belonging to them should be surrendered to the state for the purpose of establishing a land fund for developing small holdings.

This act has resulted in the conversion of all such estates and entails into freehold property. This is in itself of considerable importance for the use of Danish agricultural land, for it is likely in the course of time to cause big estates and big farms belonging to them to be broken up and divided by sale and by inheritance.

The act provided that when an owner did not avail himself of the opportunity afforded by the law of converting his estate into freehold property before the end of 1921, an

annual tax should be paid to the exchequer amounting to one and two-tenths per cent of the value of the property, if the property was subject to reversion; otherwise, an annual tax of one per cent should be paid.

When the owners availed themselves of the right to convert their estates and entails into freeholds, they had to pay to the exchequer twenty-five per cent of the value of the property, subject to reversion to the state, and twenty per cent of the value of other property. At least one-third of the land had to be handed over to the state, upon payment of a certain compensation.

In calculating the sums payable to the state, the valuation for property tax was to form the basis for real estate valuation, and in calculating the compensation the basis was to be the valuation for land value taxation, i. e., such price as a prudent purchaser could be expected to pay for the land if it belonged to a medium sized farm. In this calculation no regard was taken to injury caused to the remainder of the property by the severance, nor to the value of buildings standing on the detached land beyond the value which such buildings might have, when the land was used for the establishment of small holdings. But, the owners had the right to select suitable land themselves and even to surrender land outside the property subject to entail. The compensation was paid out of the land fund.

This fund has now reached an amount of one hundred million crowns, which, besides the accumulated interest, is wholly intended for the establishment of small holdings. The land surrendered by fiefs, family estates, and entails, has amounted to nearly thirty thousand hectares of generally very fertile agricultural land. The act of October 4, 1919, regulates the conditions for the sale of public land, but

pertains not only to this land, but to all land belonging to the state which, owing to its nature and its situation, is most suitable for farming. Such land must be sold only on certain terms stipulated by the act, while transfers in the form of building sites or of lots may be effected on the same terms.

The land must be divided into parcels, preferably so large that each parcel is sufficient to support a family employing its own labor. Parcels may be added to an existing holding, provided the area of the holding shall not exceed an area corresponding to seven hectares of land of medium quality. Since 1924, such a parcel may, however, be sold as ordinary freehold.

RATE OF RENT

When land is sold in accordance with the act of 1919 no purchase price is paid, but a rent charge is made on the property, fixed at two and one-quarter per cent semi-annually on the value of the land assessed by the valuation authorities in charge of the valuation of land for land value taxation. Upon each general land valuation the rate of this rent charge will be fixed by the Minister of Finance, with due regard to the average price during the previous five years of the bonds of current series of certain leading credit unions. In fact, the rent charge has never been fixed at the full rate of interest which might be realized from such bonds. In recent years it has amounted to about five per cent.

The land shall, at the time of transfer and at each general land value taxation period, if it is destined for agricultural purposes according to the conditions of sale, be assessed at the price that a prudent buyer might be willing to pay for it if it belonged to a medium sized farm. Should the land be put to any use other than agriculture, the valuation must take this into consideration.

In revaluations, the value which has been added to the land as a result of investments by the owner since the first valuation shall be discounted.

As previously explained, farmers who cannot with their own resources acquire property of the kind contemplated by this act may obtain a loan from the land fund for the erection of buildings. Should the property be transferred to another person, the government may demand the whole or part of the difference between the amount of the interest paid and the amount which would have had to be paid if interest had been payable on the whole loan. A person to whom property has been transferred under the conditions laid down in the act exercises, with few restrictions, all the essential rights of an owner. The most important of these restrictions are the following.

If he proposes to transfer the property to persons other than his heirs, the government has the right of preëmption over the land and the buildings at the original purchase price and cost of the buildings, with an addition for the value of improvements of the property due to the work and the investments of capital of the owner.

The owner is not allowed, without the consent of the Ministry of Agriculture, permanently to impair the cultivating value, such as destruction of the surface of the soil by digging out clay, chalk, and so forth.

Provided buildings exist on the property, and provided the property is conducted as an independent holding, the owner shall live on it and manage it himself. He must not rent any part of the land or build any houses on it for leasing purposes. The property must not be divided, combined with other land, or exchanged with other land, without the special consent of the Ministry of Agriculture.

The property must not be mortgaged for an amount higher than the amount of the public loan granted for the erection of the buildings.

The personal qualifications for becoming a holder are of the same nature as those laid down in the general small holdings act.

DISPOSAL OF GLEBE LANDS

The conditions laid down in the act of 1919 pertaining to the disposal of glebe lands for the formation of small holdings are very similar to the conditions laid down for public land. However, the rent charges are not added to the land fund, but are to belong to the Church.

The land is to be sold for the erection of small holdings as soon as existing leases expire. In general, such land is held on either an eight-year or a fourteen-year lease. By the division of glebe land nearly twenty thousand hectares have been made available for the development of small holdings.

While the glebe land is distributed in small quantities over the whole country, the entailed land and Crown land is only available to any considerable extent in certain parts of the country. In order to make possible in such parts of the country where public land was not available the establishment of small holdings along lines laid down by the acts of 1919, the land fund is entitled to sell public land under ordinary conditions and to spend the sums so obtained for the purchase of other areas, preferably in other parts of the country where there is an unsatisfied demand for small holdings under the provisions of the acts of 1919. A sum of three million crowns was assigned for the purchase of land for this purpose. Subsequently ten million crowns have been appropriated for the land fund to buy

land for this purpose, especially in those parts of the country which are thinly populated.

Until 1928, the land acts of 1919 had resulted in the creation of forty-one hundred new holdings, while seventeen hundred existing small holdings had received supplementary land so as to be able to support a family. The total area distributed is about thirty-three thousand hectares, having a land value of thirty-five million crowns. The building loans granted amount to nearly fifty million crowns.

The holders who receive land under the 1919 plan are safeguarded against having to pay an increased price for the land. This is secured to them through the rent charge on the land being fixed according to a valuation which, by its very principle, eliminates the enhanced price that is paid in the open market for small holdings. A valuation is made which is, as a general rule, in conformity with the valuation for land value taxation and is usually somewhat below the market value of land belonging to medium sized farms.

Since the rent charge is regulated by periodic valuations every fifth year, according to the changing prices of land, it is obvious that the holders will not be adversely affected by a decline in the profit of agriculture so far as it finds its expression in a decline in land values. Under the land value taxation law of 1927, there was brought about in most parts of the country a reduction in agricultural land values of nearly ten per cent. On the other hand, the holders will not enjoy the advantage of a corresponding increase. The holders' economic interests are not connected with land values, but solely with the value of improvements and stocks and with the profits of their own work. As a matter of fact, experience has shown that prospective holders prefer the 1919 plan for the small holdings developed

along the lines of the general small holdings act.

INFLUENCE OF LAND VALUE TAXATION

In connection with the acts of 1919, it is interesting to note the influence which land value taxation has had upon the utilization of land. In fact, land value taxation, when the rate is of some significance and not a mere return for direct benefit accruing to the land through public activity, will be a burden to the holders similar to that of the rent charge to be paid by the small holders. The 1919 plan was influenced to a great extent by the same ideas, which in 1922 and 1926 have led to the inauguration and the extension of land value taxation, and which, if realized to their full extent, would have the effect of bringing all land values under public ownership.

The land value taxation which is now in force in Denmark has only the effect of a partial shifting of the taxes on buildings and improvements to a tax on land values. The average rate of the tax on land values in the agricultural districts is about sixteen crowns per thousand crowns of capital value (market price of the land), but varies greatly in different districts. In addition, there is still a tax on the capital value of buildings and improvements amounting to three-quarters of the rate on land values, but with a tax-free deduction of from three thousand to five thousand crowns per holding for local taxation, and ten thousand crowns for state taxation.

As the profit of large farms in proportion to land values will be considerably lower than that of smaller farms under present economic conditions, this taxation will be an incentive to

large farmers to dispose of some of their land or to cultivate it as far as possible and as intensively as is done in smaller holdings. This trend is strengthened by the fact that there is a tendency toward a relatively high taxation on land values in parishes where big farms are still prevalent.

Although it cannot be proved by statistics, it is undoubtedly true that land value taxation, as well as the old land tax which it has displaced, has had a beneficial effect in dividing agricultural lands into such holdings and in bringing them under that cultivation which, from a social point of view, must be considered most profitable.

The results of land division brought about by the prevailing legal conditions—and, in recent years, partly by direct support from the state—may be gathered from the following figures, although there is an irreparable break in the statistical data for the years 1904–1905.

	<i>Number of Agricultural Holdings</i>
1850 *	140,000
1885	190,000
1905	198,000
	<i>Number of Agricultural Holdings in the Rural Districts having More than .55 Hectares of Land</i>
1904	171,000
1924 *	186,000
1927 *	189,000

* Not including Slesvig.

The number of agricultural holdings established by direct public support since the year 1899 is about eighteen thousand, or nearly ten per cent of the total number of such holdings in the rural districts, and a good deal more than ten per cent of the number of holdings which are capable of supporting a family.

Land Reform in Mexico

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THE Mexican revolution may be studied from many different angles. The fact that most readily impresses itself upon the mind of the foreign student interested in land tenure is the legal one—the taking of land by the state from one person and the giving of it to another. In the long run, however, the greater significance may be found to attach to the technological, social, and economic change which the transfer of title is producing, and of which it is a part. In fact, it may well be that the Mexican upheaval was a protest against the antiquated, uneconomic, and wasteful utilization of land under the large plantation system.

ECONOMIC VERSUS POLITICAL USE OF TENURE

Every student of Mexico who has given any serious attention to the character of the Mexican land system has condemned it on economic grounds. It was, in fact, not an economic, but a political use of land tenure which underlay Mexican rural structure. The large hacienda had its origin in military conquest rather than in economic necessity, and was perpetuated by political and military control. It was not used as an instrument of production, with an eye to profitable investment and adequate development of natural resources. It was used to perpetuate family prestige and family power, which were originally acquired through military conquest or political chicanery.

The plantations, in so far as they served to supply an income to their

absentee owners, did so by an elaborate system of rentals and subrentals rather than by direct cultivation. What direct cultivation took place was only on the best of lands—in crops where the risk was the least possible. In fact, upon the very largest plantations the actual owners directly concerned themselves with cyclical crops, such as pulque growing, involving practically no risk, or in cattle raising. The growing of cereals was largely left to renters, subrenters, and crop-sharers. It is difficult to generalize about a whole country, but, broadly speaking, it may be said that the Mexican land system before the revolution was largely a rent-producing institution.

It should be clear that the few—perhaps fewer than a thousand large owners—who held the greater part of the lands of Mexico were practically all absentee owners. A large proportion of them lived in Spain. The rest lived in Paris, in Mexico City, or in the capitals of the various states. They were not farmers. They were gentlemen, if you will, in the sense of being too genteel to be concerned with such mundane matters as plowing, planting, and reaping. They lived on rentals, collected by resident managers from renters, subrenters, and crop-sharers. The rentals were usually in kind. If one seeks for an explanation for the poverty of the Mexican rural community, this is where it is to be found. The large owners had neither the ability nor the capital to undertake an adequate development of their huge estates. The owning family lived on from generation to generation,

taking what the resident manager could exact from a semi-starved, untutored, and overburdened half-Indian population.

BASIC REASONS FOR MEXICAN REVOLUTION

To explain such a system and to point out why it lasted for so long a time would take us too far afield.¹ Be it enough to say that it was maintained largely by a system of peonage, if not by a system of actual slavery. It was maintained by that weight of tradition, custom, and habit which makes what *is* the thing which ought to be. It was maintained by a strange isolation of the rural community from contact with the civilized world—an isolation made possible not merely by the topography of the country and by the practical absence of all means of internal communication, but also by the sharp differences in climate, in race, and in culture, which broke Mexico up and divided it into numerous uncommunicating little worlds set apart from each other. It was maintained by a shifting of the burden of taxation from land to the small urban population, by a system of high protective tariffs which made Mexican grown products dearer in Mexico than in London, by a complete neglect of public services, and by a reduction of the income of the common people to a starvation point.

It is this broad fact that explains much of Mexican economic and political history. If one wishes to understand the basic reasons for the revolution in Mexico, they are here. There were other factors, of course, political factors, social factors, international

factors, and factors of internal politics and external investments. But, clearly enough, if the economic system based upon the large plantations had fed and clothed the people and had given them a standard of real income in any way comparable to modern needs, the revolution would, in all probability, have taken a very different course.

To argue, as has been argued, that the revolution has destroyed economic cultivation of the land in Mexico is simply to reveal that one knows little about the old Mexican land system. It is true that there are many individual instances of good plantations gone to ruin, at least for the time being. What is more important, however, is that most large plantations before the revolution were mortgaged far beyond their value; that the common tool was a wooden plow drawn by an ox, or only a *coa*—a stick with an iron point; that the mass of the population was in bondage; that the plantation did not utilize a fraction of even its best lands; and, most important, that the lands best cultivated were those which had remained in the hands of the people in the villages.

INCREASE IN URBAN POPULATION

The fact that imports of basic cereals have increased since 1910 merely proves that the urban population has increased. Since the development of railroads, the increasing urban population has been fed by imports from abroad, not because Mexico could not produce enough to feed its fourteen million people, but because it is, and was, easier to supply Mexico City from Vera Cruz or from the north by rail than to bring the native-grown grain on mule pack, even from a distance of fifty miles. The revolution is thus an attempt to destroy not merely a feudal, political, and social structure, but, more significantly, an

¹The interested reader may be referred to the chapter on the "Economic Organization of the Hacienda," in the author's *The Mexican Agrarian Revolution*, Brookings Institution, Washington, D. C. (1929).

attempt to destroy an uneconomic system of land utilization.

It is important to note that all through the greater part of the nineteenth century when prices of grain, wheat, barley, and corn were falling all over the world, they were rising in Mexico, because of increasing tariffs, and that wages which were rising all over the Western World were practically stationary in Mexico for a hundred years. In order to keep itself alive, the hacienda system may be said to have succeeded in reversing economic trends which were world-wide, by a system of tariffs, on one side, and a system of feudal military politics, on the other. It is here that the causes of the revolution are to be sought.

It may prove true that the type of land ownership now being developed in Mexico will not effectively change the basic problem—that of producing enough to give the mass of the people an adequate standard of real income. However, that is another question. Its failure to do so would not prove that the old system was right; and judgment of the present program needs to be postponed until the process now taking place has had sufficient time to dig roots deep enough to nourish itself from the soil. With this as a general introductory note, we may turn to some other phases of the problem presented by the Mexican upheaval.

At the outbreak of the revolution, in 1910, one half of the rural population lived on plantations, and was tied to the soil by a system of debts which made them slaves in fact, if not in law. The other half lived in nominally free villages, crowded into small areas on the mountain sides, or hemmed in by huge surrounding plantations. The large mass of the rural population was thus either directly resident upon, and kept tied to, the haciendas, or lived

dependent upon, and subject to, the rule of the large plantation.

Of the 69,549 rural communities in Mexico in 1910, 56,825, or 81.7 per cent, were located upon large estates. In some states like Guanajuato, in the very center of Mexico, and with a dense population, 85.3 per cent of all the rural population and 96 per cent of all the rural villages were centered upon haciendas. That is, Mexico was essentially a feudal country—a feudal country governed by a small upper class, for centuries recruited from Spain, foreign in outlook and disdainful of the underlying population.

FOREIGN OWNERSHIP AND CONTROL

Not only was Mexico a Spanish dependency for three hundred years, but, in essence, it remained a colony during the greater part of the one hundred years of its national independence. The land owner was largely a Spaniard and, more recently, not only a Spaniard, but a Frenchman, an Englishman, and an American. The mine owner was either Spanish, English, or American. The business man, even in the small retail trade, was largely a foreigner. The more recent oil man was almost completely a foreigner, predominantly English and American.

It was this comparatively small group of foreigners, who, owning the land, the mines, the public utilities, and the oil wells, largely dominated and controlled the economic life of Mexico. During the Diaz régime, they certainly were the controlling influence in the country. How true this was may be seen from the fact that even as recently as 1923, more than ten years after the revolution started, one hundred and fourteen owners held nearly one-fourth of all the privately owned lands in the republic (22.9 per cent); while foreign-

ers, in spite of all the legislation against foreign holdings, held one fifth of the total area of the republic, and of these, Americans owned approximately one half.

This economic concentration, bad enough in any country, was here made worse by the fact that the upper classes, both foreign and native, looked upon the common people with disdain and contempt. The mass of the population is Indian, one half being more or less pure-blooded Indian, the greater part of the remainder being Mestizos, or mixed, and only a fraction being white. The upper classes looked upon this underlying population with contempt, and justified their economic policies on the ground that the mass of the people belonged to a lower stratum of humanity and that Mexico ought to look forward with satisfaction to the prospective disappearance of this class.

To confirm their argument that the poorer classes of Mexico were unfit, the upper classes and their intellectual satellites invoked the theory of the survival of the fittest, as well as notions of racial superiority. The poverty of the poor proved their thesis. This is an interesting adaptation of a scientific doctrine to justify the political and the economic exploitation of one class by another and an indication of how such a situation may be converted into a morally satisfactory position.

The foreigners—largely foreigners who under species of law were depriving the mass of the rural population living in villages of its heritage in the land—were proving to their own satisfaction that not only was their behavior legal, but that it was consistent with the best doctrine of biological science and was socially a good thing, as well, because it was advancing civilization. They were not only accumulating fortunes, but were

at the same time winning favor and achieving grace.

REBELLION OF RURAL POPULATION

During a period of four hundred years the rural village population had gradually been forced to surrender their positions as free members of village communities and to an increasing extent had become peons who were tied to the plantations of foreign land owners, mainly Spaniards. By the end of the Diaz régime, those villages which had still retained their village life had been practically stripped of their lands and had been largely hemmed in within the boundaries of large plantations, upon whose good will their very existence depended.

When the revolution broke out in 1910, it was not essentially a social revolution. It was largely a political revolution and had as its immediate ends purely political objectives. But, the degree of irritation and social discontent was such that the spark ignited the whole country and the underlying population, especially in the villages, rose in rebellion all over the republic. This was especially true in states like Morelos, Guerrero, Mexico, Tlaxcala, and Vera Cruz, where the rural population was still to a large extent living in village communities. It may be said that it was the village population which rose in rebellion to defend those rights which were still theirs. It was the villages which fought the revolution, which won the revolution, and which to this date have held the revolution to its original program.

One may, of course, ask what are the results of this revolution. It is difficult at this stage of the situation in Mexico adequately to summarize or to evaluate what the basic outcome of the Mexican upheaval will ultimately be. The movement is still in process, and

for the next twenty-five years that process is bound to continue. It may be true that the violence of the revolution has now come to an end. If it has, it is only because it has succeeded in establishing channels for the development of its broader objectives without further violence.

If, after twenty years of intermittent struggle, the land owners in Mexico, both foreign and native, are finally willing to permit this broad social process to work its way through those legal channels which it has now achieved, then it may prove to be true that the violent phase of this social change has been terminated. But, it seems fairly certain that unless such is the wisdom of the dominant and still powerful *latifundistas* in Mexico they will compel further violence and further revolution in Mexico.

LAND DISTRIBUTION FOR THE MASSES

The basic political fact in Mexico is land distribution for the mass of the people—land distribution by peaceful and legal methods, if possible, but by revolution and violence, if necessary. I am not saying that any one person in Mexico has formulated this as a program. It is merely an articulation of what seems to be the forces at play in the situation—forces which to date no one person or no one government has succeeded in stemming. They may perhaps be guided. They cannot be stopped.

The reasons for this are varied and are perhaps out of place for discussion at present. Fundamentally, the underlying population, mainly Indian and largely vocal through its village communities, has achieved a greater degree of cohesion, self-reliance, and self-consciousness than it has ever had in the history of Mexico. It has always wanted land. It has always been defeated and frustrated

in its demands. Through a combination of circumstances, perhaps too complicated to unweave, it has at last found that it can fight, that it can in an emergency defeat government and government armies, that it can upset and destroy traitors to its basic program—and it will continue to do so to satiate its hunger for land.

Peace in Mexico for the next generation is equivalent to a continuance of the agrarian program. Come what may, that is the political realism of the situation. The first striking fact about the Mexican outcome, therefore, is the resuscitation of the village—resuscitation politically, culturally, spiritually, and economically. Whereas, previously the dominant influence was the large plantation, today, and at an increasing rate, the dominant influence tends to be the rural Indian and half-Indian village.

The village has at last won the fight against the plantation. It is gaining in population. In 1910, the villages represented 51 per cent of the rural population; in 1921 they constituted 58.2 per cent. In 1910, they represented 16 per cent of all rural communities in the country; in 1921, they constituted 21.6 per cent, and there is every indication that this growth of the villages has continued at an increasing rate since 1921. But, more than that, they have gained in political strength and in social prestige, and have changed the spirit of the rural community. Their resuscitation as communities is coincident with, and significant of, a changed position which the Indian as a race occupies in Mexico today, in contrast to the position he occupied ten years ago.

RACIAL RENAISSANCE IN MEXICO

The basic cultural traits which the Indian in Mexico presents are considered to lie at the very base of the

future Mexico—to be its foundation stone. The Mexican intellectual, instead of talking of a dying and a beaten race, talks of the strong, bronzed race of the conquering Indian. That this is more than lip service is indicated not merely by the fact of land distribution to the villages which are so largely Indian, or by the social organizations that have grown up among the common people which are again predominantly Indian, but even more strikingly by the fact that the schools are being spread among them, that their common Indian folk songs have achieved the position of being taught and sung in the public schools, and that the great artistic renaissance is largely carried out by artists who are either predominantly Indian or who identify themselves as part of the racial renaissance in Mexico.

In addition to the facts here pointed out, it is important to note that the revolution in Mexico has actually freed about one half of the rural population from a bondage which for practical purposes was equivalent to slavery. For the first time, at least in hundreds of years, the rural population is free in our sense of the word. It can move about, and does so. In some states one third of the rural population has in ten years moved from the plantation to the village.

THE *Ejido* LEGISLATION

When we turn from these gains to the others of a more immediate and concrete nature and ask how much land has actually been distributed, the answer is as follows. Taking the large estates of Mexico, those of approximately 12,000 acres, we find that they had a total area of 159,106,000 hectares in 1923. Comparing with this figure the total area distributed by the government under the *Ejido* legislation—that is, the legislation which

takes by law private lands under condemnation proceedings for public utility and by means of compensation—we find that only 4,044,603 hectares had been given away by the end of 1927, or approximately two and five-tenths per cent of the largest estates.

If we take the total area of the country, the percentage given away under this legislation reaches not over two per cent. We are leaving out the areas distributed by states under state legislation and by the federal government under homestead legislation affecting only those lands owned by the federal government. An addition of this other land distributed would bring the percentage of the total area of the republic given away in one or another type of land grant to no more than four per cent of the total area of the country.

If we examine the actual type of land, the figures for the whole country, on an average (there would be considerable difference in different states and in different sections of the same states) show that the areas given away under the *Ejido* legislation were as follows: irrigated land, 3.8 per cent of the total; tillable, 29.1 per cent; mountain lands, 13.4 per cent; mountain pasture, 53.1 per cent; and unclassified, .6 per cent.

In other words, it seems from the best and the most recent material available that, taken on the average, the actual lands given away to date for village *Ejid*os do not as a rule absorb an undue proportion of the best lands in private hands. It can be said as a general rule that the best lands in the republic of Mexico were, and are at present, within the confines of the large estates. This is even true in such arid states as Chihuahua and Coahuila. In those states there is but little good land in comparison to the total areas of the states, but of that

little a large part is to be found within the confines of the large estates.

AREA TAKEN FROM FOREIGNERS

If we examine the area taken from foreigners by the revolution, we get some interesting figures. According to the most conservative estimate, foreign owned land in Mexico in 1923 amounted to an area equal to 32,904,046 hectares. Of this the *Ejido* legislation has, to the end of 1927, taken 226,661 hectares for definite possession, or less than one per cent of what is now owned by foreigners. Specifically, only seven tenths of one per cent has been definitely taken by the federal government from foreigners under the *Ejido* legislation. The area taken from foreigners under the state legislation (only in two states has the state legislation had any application whatsoever—Durango and Zacatecas) is an infinitesimal item.

Looked at from the point of view of the rural population, some four per cent of the total rural population has been definitely benefited by this legislation. If we were to pass judgment upon the agrarian revolution in Mexico solely from the point of view of the actual land taken and distributed, we should get a very poor showing for the amount of internal disturbance which the program has involved.

There are, however, many other aspects of this that need to be looked into. The significance of the revolution lies not so much in the amount of land that has actually been distributed, but in the fact that any at all has been distributed under the legislation as it exists. The important fact is that a legislative and social institutional situation has been created where, in spite of counter revolutions and international difficulties, land distribution which really did not get under way till after Obregon came into power, in 1920, has made as much progress as it

has. The significance of the situation lies in the fact that there is the machinery, and apparently the will, to carry the process forward to further ends.

COMPENSATION FOR LAND OWNERS

It is important to note that it has been a program carried out under the guise of law. It was not confiscation. From the very beginning—the first law was passed on January 6, 1915—there was the promise of compensation to the land owner for lands taken from him. This promise of compensation has been repeated over and over again in a number of different laws. Offers were made to the land owners at various times, offers which the land owners refused to accept. The reasons which they gave may or may not have been sufficient. The point is that the Government of Mexico did not undertake to expropriate land without recognizing its financial obligations, even if it admitted its inability to meet the obligation involved.

Even Zapata, who was the most radical of the agrarian leaders and who was described as the worst of the Mexican "bandits," recognized the right of the land owner to compensation for such lands as had been taken from him and to which he could show adequate title. Not only was there no legal confiscation of all of the land or of a part of the land, and not only was the right of the land owner to compensation recognized in law under all the varied Mexican agrarian legislation, but the right to land on the part of the rural population has been sharply circumscribed.

The laws, as originally drawn and as at present upon the statute books, did not, and do not, grant to all of the rural population the right to lands. They specifically exclude that part of the rural population which is

located upon plantations. In other words, the right to land is limited to those who live in villages. Furthermore, of those who live in villages, only certain specific individuals are entitled to land. These individuals, for instance, must be eighteen years of age; must be agriculturists; must not own any land of their own; must not be possessed of a capital equal to five hundred dollars in American money; must not be office holders; and must not have any professional skill or occupation which gives them an adequate income from other sources. To the people satisfying these and other requirements, the law makes possible the granting of lands for use.

It must be clear that while title is given to the village it is really for the purpose of tillage by the individuals. Failure of tillage may cause a reversion of the land to the village, to be again turned over to some other agriculturist who will actually till it. The receiver can neither sell, nor lease, nor in any way alienate his lands. They are his for use, but not his for sale. They can be passed on from father to son, but only provided that the heir will till the lands he inherits. On the average, the areas given away for the whole republic amount to approximately 9.2 hectares per individual recipient.

BASIS OF COMPENSATION

For this land given away the government sets up a basis of compensation. This basis is provided for in the constitution and amounts to the tax valuation of the land, plus ten per cent and plus improvements since the last valuation. Under these circumstances a payment basis has been established.

Internal difficulties, financial insolvency, repeated rebellions, and refusals on the part of native and foreign land owners to accept the government offers in good faith, have

all combined to postpone the date of payment. To date, 809 claims, of which 145 were by foreigners, have actually been received by the Mexican Government. Of these 809 claims, 117 have been settled to date; and of these 117, 21 were claims by foreigners.

More significant than the actual land taken, when looked upon as a broad matter, is the fact that the revolution has given an increasing number of Mexicans a stake in the maintenance of a permanent government in Mexico. Not only have large numbers of the common people, both in the country as well as in the cities, been organized for the purpose of benefiting in fact from the labor legislation that lies embedded in Article 123 of the Mexican Constitution, but an increasing number of individuals in Mexico have secured a stake in the country as a result of the revolution.

By the end of 1927, there were approximately one-half million individuals who had benefited from the federal agrarian legislation and who would stand to lose by a reversal of the revolutionary program. It is here that the promise of peace in Mexico is to be sought. In increasing numbers, Mexicans are achieving an economic interest in stability; in increasing numbers, Mexicans are securing a position in which revolution means loss and danger of loss. From this point of view the present Mexican Government rests on a firmer foundation than ever before. Mexico is more largely democratic at this time as a result of the revolution than ever before since the conquest by Spain.

FAILURE TO PROVIDE COMPENSATION

The general conclusion, however, requires certain basic qualifications. Broadly speaking, the Mexican land program has been carried through without compensation to the land

owners. The promise of compensation was implied and expressed in the law, but in fact, as previously noted, only a fraction of those who had land taken from them have received any compensation at all. In so far as there was any claim to justification on the part of the Mexican Government, it lay in the assertion that land distribution was essential to internal peace, and that the only way a continuance of internal violence could be obviated was by satisfying the cry for land. This claim is generally recognized to be a statement of fact. It can be said that by now the most urgent demands for such land have been satisfied, and that from now on a more conservative policy may be followed without laying the country open to further revolution.

Such a change seems to be implied in recent statements from former President Calles and by the recently elected president of Mexico, Ortiz Rubio. Whether or not such is the fact, only the future can tell. At this time, it might be worth while to point to certain dangers in the contemporary Mexican situation.

As was pointed out above, Mexico tends to be divided between those states where the rural population lives predominately in villages and those states where the rural population lives predominately on plantations. The states composed largely of villages are those surrounding the plateau of Mexico City. The states dominated by a population living on plantations are chiefly to the north and the south of the central plateau.

EFFECT OF REVOLUTION ON RURAL COMMUNITIES

The revolution has accentuated this difference. It has by law deprived the population upon plantations of the right to land. It has also stimulated the growth of the villages in those

states where there were already in existence important village groups. In other words, the revolution has tended sharply to increase the sectional character of the Mexican rural community.

Looked at as a matter of long-run peace, it is doubtful whether these sections can live side by side without difficulty. The states where the plantation predominates and where the rural population has, broadly speaking, failed to benefit from the agrarian revolution, are bound to bring into the political arena a type of influence that will tend to favor the large land-holding system. The states where the community has made rapid strides and has grown in influence are bound in the long run to demand a political policy satisfying the needs of a democratic rural community.

One might well ask the question whether or not a house divided against itself in this fashion can live in peace.

This question is made more pertinent by the fact that the rural village, more than the plantation resident community, is tending to benefit from education, from coöperative credit organizations, and from political activity. In part, this is due to the fact that the free rural village is larger in size. In part, however, it is due to the fact that the free rural village has a voice and a power such as cannot be achieved, even under ideal conditions, by the population located in resident communities upon plantations. This makes consideration of the proposed change in the law affecting land distribution subject to serious question.

DEFINITION OF COMPENSATION

It is proposed to change the law so as to make *by means of compensation*, which has until now been interpreted to mean by compensation after expropriation, to mean compensation

previous to, or during, such expropriation. If the Mexican Government can set aside enough money to carry forward a program of land distribution under the new formula, no difficulties will arise. But if this change in the law, in the face of obvious financial poverty, is made the excuse for ending the process of land distribution on the general assumption that the agrarian revolution has achieved its ends, then the future may well see a new upheaval.

This is a question well worth pondering. What Mexico needs most is the prospect of permanent peace. With the growing development of education and numerous organizing influences within the rural communities, it is doubtful whether approximately one half of the rural population can be denied the benefits of the revolution which have been given to the other half.

While an immediate and an obvious settlement of the agrarian problem of Mexico would certainly be a great boon to the country, and lead to a rapid increase of foreign investments, it is doubtful policy to secure such

a seeming boon at the danger of further future difficulties. As a matter of long-run policy, it might be better to let the patient convalesce a little longer than to pronounce him cured at once. It is the author's opinion that unless the program is allowed to work itself out so as to include approximately the whole of the rural population, Mexico will in all probability have further difficulties, unless some adequate substitute can be had, and that seems very doubtful, indeed.

This does not involve a judgment upon the wisdom of the policy of land distribution on economic grounds. That is another matter. The agrarian program as it stands at present is a matter of national politics, rather than of national economic policy. However, it might well be argued,—and, I think, successfully—that the policy of using the indigenous villages, with their age-old *mores*, as the base for a new system of land tenure and land utilization is for Mexico not only good contemporary politics, but possibly even good, long-run agricultural economy.

Development of Polish Cities in the Period from 1918 to 1930

By EDMUND DUNIN

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THE reunion of all parts of Poland and the obtaining of political independence in 1918 were the causes for the creation of a new self-governing life in the cities, built up on the débris brought about by the war. However, the first five years were not so productive for our cities in the development of their independence.

One cause of this was a depreciation of the currency, and the levies made by the Government for the reconstruction of the country.

RESTORATION

Out of two million buildings rendered unfit by the war for any use, 1,800,000, or ninety per cent, have been rebuilt. This reconstruction work required a great outlay of money, especially in the eastern and southern districts, which suffered most. In the above-mentioned number of reconstructed buildings there are included two thousand churches, six thousand schools, about six thousand public buildings, twenty-seven thousand brick dwellings, and about five hundred thousand frame dwellings.

Poland, being an agricultural country, had first to restore the settled villages to normal condition and create an independent agricultural nucleus as the basis of its work. This demanded extraordinary efforts and money.

RECONSTRUCTION AND CREDITS

The needs of the newborn country were very great. An almost ten-year holiday in the building trades had caused an acute demand for houses.

It grew worse every day, due to the influx of returning refugees, until a house famine developed. This famine was progressing and overcrowded cities were seeking financial help.

In order to remedy this tense situation, a law was promulgated in 1927 for relieving the cities of their surplus population by directing it towards the country and by encouraging private credits for reconstruction work. In 1925 the cities received the first allotment of forty-four million zlotys.¹ The following years showed big results. Over forty-five thousand new houses were built, on which the Federal Bank gave a loan of 213 million zlotys.

For the last ten years, the state has spent about 720 million zlotys for building purposes in the country at large. This money has made possible the construction of about three million public buildings, five million school buildings, four million railroad buildings, and so forth. These figures also comprise a number of buildings erected in Polish colonies for officials and workmen and also the corresponding number of buildings for military purposes.

Besides the money spent by the state through different state departments and bureaus, other state and public institutions showed their activities in the building campaign by erecting public edifices and even private homes.

The first rank in this group belongs to the Postal Savings Society, the next to the Society for Mutual Help of the Sick, the General Security Institution, and so forth.

¹ One zloty equals 11.22 cents.

Up to the present time, the following private capital has been attracted to the building campaign in the cities: 100 million zlotys from the United City Citizens, 135 million from private individuals, and 28 million from district administrations.

The most intensive building construction has taken place, of course, in Warsaw, where, due to the work of a special building committee, over thirty-nine thousand multi-storied houses have been built, mostly by the coöperative workers. Most of the loans for building purposes, naturally, have been granted by the Polish Federal Bank. In 1925-1929 the loans aggregated the sum of 126 million zlotys.

The Building Committee, in distributing loans, gave preference to the multi-storied buildings; for the small houses there was given what was left after satisfying the needs of the first group.

ORGANIZATION OF WORK IN CITIES

Converting settlements with a limited number of inhabitants into cities and forbidding rural people to settle there, led very largely to bringing life in such settlements to normal conditions. Organized in 1918 at Warsaw, the Union of Polish Cities took over the care of 630 cities and it continues successfully, through a certain system, to bring only settled people to the cities. Regular meetings of the representatives of cities and rural districts, registration of all skilled workmen, exchange of views, reports, and wide publicity in newspapers have proved notably successful in bringing city and country life into an organized state.

Supported by the figures and all known facts about the gain through the regeneration of the Polish Republic during the last ten years, we can show constant progress in our public and state life. In this continuous progress,

the principal initiative belongs to the State Government and the local self-governing organs. There have been some minor mistakes and some shortsightedness likely to occur in any young country, and the period of 1921-1924 was a very hard one because of the difficulties with credit and money during the first five years of our existence and also because of the heavy outlay of money for reconstruction; but Poland has overcome all handicaps and has come out on the road toward full progress in statesmanship and industry, as demonstrated by the All-Polish Exposition at Poznań in 1929.

PRESENT-DAY SITUATION OF TENANT HOUSES

Unsatisfactory financial conditions of the country during the first years after the war caused almost a complete shutdown of building operations. The result of that is still felt by the Polish people. Private initiative could not successfully combat this situation because it was too complicated and because the rights of a landlord were limited by the law protecting a tenant.

The ever present shortage of living quarters in Poland, according to Professor Brill and made public by Dr. Streletsky, may be indicated by these figures: general demand, 700,000 houses; natural annual growth of population in cities, 250,000 persons.

Allowing that two families can live in one house, we can easily see that 125,000 new houses are required yearly. Adding the number of houses which would be repaired and the number of new houses which would be completed during that time, we will have about two to three hundred thousand houses in one year.

A rapidly developing building campaign was inaugurated by the law relating to the building trades in cities, published in 1925, and by a Presidential

order published in 1927 directing the building committees in their task and giving to them the state's financial support.

Public institutions and organizations were first to receive help. They were given loans up to ninety per cent of the cost. Private individuals were granted loans up to seventy-five per cent of the cost of their buildings. The large houses with small apartments were preferred and encouraged. The money loaned by the state must be paid back in twenty-five to thirty years at six and a half per cent according to the order of the Minister of Finance in 1927. Although it was certain that thirty-nine thousand houses already begun would be finished, the housing question in Warsaw, the Republic's capital, was very acute in view of the extraordinary conditions. To satisfy the ever increasing demand, about five hundred thousand houses would be required.

There was an actual demand for fifty thousand houses yearly. To meet this demand and overtake the normal population growth would require ten years of intensive building; but this was impossible for Warsaw on account of financial difficulties.

CITY AND SUBURBAN AREAS

Besides assigning money for erecting new and repairing damaged houses in the cities, the law for promoting the building industry in cities also sees the need to finance buildings and houses in areas adjacent to them, although it does not encourage building farther out than fifteen kilometers from the city boundary. In connection with this, on the city maps for the building campaign, there is allotted an area about half a kilometer wide, dividing the city proper from the suburban area.

Every city develops in its own way. Therefore, for the purpose of coordinating a building program on a

more uniform basis, each city is divided into the following parts: (1) center, where are located most of the shops and offices—the very artery of urban life; (2) portion adjoining the center, mixed, with no definite character of living; (3) ringed area which includes houses of all small landlords.

The last-named area, in accordance with building developments, is designated for heavy industry, namely, large factories and mills. Also, it is to contain medium-sized works and small repair shops.

This area is far away from the center and usually has good means of communication. The second part of the city usually contains some medium-sized factories and shops, and workshops transferred from the central part of the city. The line of communication between these two parts does not go through the center of the city but runs around it.

Progress in private building is very slow, because of the scarcity or dearth of money, defects in the regulations concerning working hours, overcrowding these regulations with many official papers, and many other obstacles in Poland—a young republic burdened with a load inherited from a century-long occupation. Foreign capital is too dear to be used for building. Therefore, only the state's initiative and its money loaned for building cities are available.

REGULATION OF CITIES

A basis for regulations did not exist in Poland. Dismemberment of the Prussian possessions and the introduction of new regulations were very quickly effected, but the regulations for Poznań, Bidgush, Grudziadz, and some smaller cities, such as Gniezno and Inowroclaw, were produced with a vast expenditure of money and work.

Dismembering the Austrian and

Russian possessions did not come about at once in line with a modern city course. In the former Russian cities it was forbidden by the officials to make any offers or suggestions in that direction. Such a situation involved a very difficult problem, to untangle which requires, even now, a considerable amount of labor and time.

Working out the basic statute for building up cities and also regulations for land reform are shown in their separate paragraphs, with different rights and privileges of city and rural officials if they will exert their own initiative. For instance, the land reform regulations foresee the possibility of setting aside recreation centers and parks for office workers and shop people near the large cities and the industrial districts.

In the case of every important building project, the building statute allows an expropriation of private land for a fair compensation, especially when it is done for the public need. As is seen from what has been mentioned, the state's policy is to meet every demand and to help the rural officials in their task of production and cultivation.

The Polish cities do not spare any means for progressing in the right direction. The result of such efforts is very easily seen. In 1926, out of 630 cities in Poland, 87 had worked out plans or building regulations, although of that number only 47 had them complete and ready to be put into operations.

From that time there had been advancement and even small cities have begun energetically to follow modern building plans in their expansion programs. At present there are eighty Polish cities which have begun building, strictly in accordance with regulations embodying even the smallest details. The foremost position belongs to Warsaw, for which a building

plan was made absolutely of a modern character, equal to that of any European city.

URBAN IMPROVEMENTS

Some time before the war, certain Polish cultural cities, with the sole idea of their own development, had bought up numerous old and dilapidated houses. Among the former powers, Russia and Austria troubled least about developing cities or structures. Consequently, many real estate owners, when building houses, saw only the possibilities for making more apartments and having them profitable, paying least attention to sanitation or to the welfare of the city itself.

As a result of such management there is in all Polish cities a general lack of parks, trees, and greens, as well as of open spaces for recreation. In Berlin, for example, the area occupied by buildings equals fifty-two per cent of the city, while forty-two per cent comprises open spaces. For every person there are about thirty-three square meters of green space and 2.28 square meters of open space for recreation. Besides this, the city owns about twenty-two thousand hectares of vacant spaces, about two thousand hectares of gardens of two or three hundred square meters each. In addition, the Mayor of Berlin acquired the thousand hectares of woodland located near that city. In contrast to this, in Warsaw, just two years ago, the combined parks and other green spaces and the Beliansky woods gave about four to five square meters per person of open spaces for recreation. In vacant building space, only a few hundred hectares can be found at Kola and Golendzinov. The remaining vacant spaces belong either to the state or to different institutions and are located in the Warsaw environments.

Forty-two per cent of Warsaw houses

contain only one apartment or tenement each; nevertheless, many of them are very dark within, through scarcity of windows. The lack of a general plan for building work very often led a city mayor to approve special plans for small operations, hoping in the future to combine them with a general plan. On this account, some blocks have houses not conforming with the rules of sanitation or health and they are obstacles to the development of the city as a whole.

DEVELOPMENT OF TENANT HOUSES

The sound business of developing tenant houses in Poland aroused general interest, especially after the stabilization of Polish currency and the issuance of the first building regulations in 1925. The certainty of obtaining money from the State Treasury for building purposes was a signal for beginning the realization of building plans, though the amount of money was far too small. For Warsaw this credit was equal to twenty-eight million zlotys a year, but regardless of this limited amount and of the lack of private capital, Warsaw did not experience an acute need of tenant houses for satisfying the demands of the yearly population growth. The building of city houses was developed mostly with the help of coöperatives and city communities. The latter built within the city of Warsaw, 5,412 tenement houses with 20,515 apartments. In round figures thirty-nine thousand apartments were built in the capital.

Seeing a big success in their undertaking, the city communities started to work out a general building program, using it as the basis for obtaining money in order to combat the housing famine. There were many projects submitted by the coöperative societies, by the city unions, and by private individuals; but all had one

serious defect, which was the financial burden of building laid upon the tenants in the city—a condition which was not equitable, because of the great migration of people from the villages into the cities.

The most noteworthy project for financing the building of tenant houses is the one prepared by the Committee of the Building Industry (project of Dr. Zavovsky, a Vice President of the Building Committee of the City of Warsaw) and adopted as the building program in the capital prepared by the same Committee. This project, throughout, recommends that the necessary funds be raised by the use of an internal compulsory loan at eight per cent, obligatory upon all the people in the state, based on the just rule that all must take part in building up the cities, while the burden of keeping up and beautifying the cities should be shared equally by the villages. The loan is secured through an annual tax, payable in five years.

Institutions with more than five hundred workers are exempted from this taxation, but the workers must erect their own living quarters, equal to their number. They can obtain a loan for that purpose equal to seventy-five per cent of the building costs.

Besides the money derived from this taxation for the building fund there must be used: (1) free capital of all Security and Financing Companies; (2) capital from other taxation under tenants' security, capital derived from taxation on vacant ground, and four per cent and on capital collected as a tax in addition to the regular state tax. Out of this fund, loans are given at $5\frac{1}{2}$ per cent with amortization. A difference in percentage is paid out of the state's building funds at the same time and also out of capital collected from taxation of one zloty per liter on distilled spirits.

This project provides that out of capital collected in that manner for building purposes, Warsaw shall receive about sixty million zlotys annually. That sum will be ample to care for the yearly population growth, to pay off the deficit on the old houses, to place the housing problem on a better footing, and even to lessen the housing famine. Outside of sewer and water piping expense, all improvements in the houses can be paid off with private money and through financing and administration of the Water Bureau and Sewers, which can obtain money from a general building fund, as is the case abroad.

ESTABLISHMENT OF RECREATION SQUARES

The second task which the Polish cities set for themselves was the wise one of building gardens and recreation squares, and taking care of them. It was in full agreement with the general building plans. All cities showed considerable interest in that line of work, on equal basis with the coöperative institutions and the recreation organizations, to which the initiative in this branch of work belongs. During the last few years in Warsaw, after very powerful demands, thirty new recreation squares and places have been built. In order to construct them quickly, vacant spaces in the city were used for that purpose. That in itself was a wise land policy.

LAND POLICY

The land policy was connected with matters relating to the development of city settlements in accordance with city statutes, and together with this a wise solution was found for the problem of erecting tenant houses. By the term "land policy," we mean the activities of city administrations in the direction of regulating affairs

connected with land; for instance, buying land through these administrations for future expansion of the cities, or for profitable resale into private hands, or for leasing for building purposes. Such activities of the administrations within these limits may have decided results. Failure to adhere to the land policy may result in future difficulties for the cities in satisfying the needs for public accommodation and also in the expansion of building. But city administrations are fortunate enough to be in a position to direct the land policy to their own advantage.

The first law relating to land policy was issued on January 21, 1922. It pertained to giving state lands to co-operatives, and was followed by laws on November 22, 1924, leading to further laws about developing cities (issued in 1925) and also the Presidential order promulgated in 1927. A building law was issued in 1928, followed by agricultural laws, recently changed, governing the transfer of state lands to the cities and the outright purchase with exact limitation of private estates within the limits of city or town interests. Based on these laws, cities could have deciding influence in directing the land policy, which would enable them to attain a very important object—that of providing cheap houses for their citizens.

A special rôle in the promotion of that business should be assigned to a 1925 law, which made the building trade very active. That law provides a big relief in the future, by giving remarkably broad rights to city and town administrations and mayors, in encouraging the construction of tenant houses. For instance, under this law, state lands can be sold for building purposes, without regard to the nature of the future building. Under this law, the state lands can be conveyed to

coöperatives or public institutions. They can also be rented to them indefinitely on liberal terms, or for a certain length of time with option to purchase. The vacant land can be expropriated through the respective mayors. By such acts, towns sometimes profit to a greater or smaller degree, especially with the coöperation of others, through preventing speculation in lots.

SUPPLY OF LAND

Understanding that sufficient areas of land should be available to satisfy at least the prime necessity of the public, Polish cities worked in that direction more or less gracefully. However, in the majority of cases, the supply of land was below normal. In order to meet the public need, according to Meoplitza, this supply should equal twenty per cent of the city territory. Having such a supply, the cities could lower prices on building lots and could make it possible for private persons, not having capital, to build.

Some of the Polish cities have quite a large area of land—in some instances, over two thousand hectares (Chenstokhov, 2,750; Gostynin, 1,800; Sosnowiec, 1,650; Zgierz, 1,800). But these areas, in many cases covered with woods and greens, though suitable for living purposes, are far removed from the city itself. Warsaw, the capital of Poland, has a land supply for building purposes equaling 115 hectares (Kola and Golendzinov). Besides this, land could be obtained from the state's ownership, located within the Warsaw limits, amounting to 2,100 hectares; also from the basic supply, which appears to be 90 hectares. All these do not include land under the head of "parks," totaling 110 hectares. Among other cities worth mentioning is Grudziadz, which has in its possession fourteen hundred hectares of land suitable

for building purposes, equivalent to sixty-six per cent of its territory.

When beginning the operation of the land policy, cities paid most attention to the plans for regulation. Figures relating to that subject are not very satisfactory.

LAND POLICY IN DIFFERENT CITIES

The soundest land policy was worked out in the cities of the former Prussian territory. This policy is found in its worst state in the cities of the former Russian territory, which was under occupation for over one hundred years. In the once Prussian territory, there is a special land fund in some cities, consisting of cash and acquired lots. The cities (Poznań) put into this fund all vacant lots that had not been designated for definite purposes or were partly occupied.

The assets of a land fund consist of: (1) the money equal to a sum realized from a consummated sale of the plots; (2) a specially established capital sum; (3) a certain amount of cash out of credits allotted for the purpose of land. The liabilities of a land fund consist of: (1) unpaid sums for land; (2) difference between the sale and purchase prices; and (3) loans on mortgages. Such land funds can be found in some cities of the former Prussian territory besides Poznań, only to a considerably smaller extent because of the past devaluation. In order to make building land and houses cheaper, some of the Polish cities follow their own land policy, though very often it is incomplete. Other cities (Breston on the Bug) sell their land at nominal prices; this keeps the city treasury in good shape but does not make prices of the lots any cheaper. Plotsk sells its land on terms of ten per cent of the sales price paid in advance (to the coöperatives), with the balance to be paid in ten years. Grudziadz sells its lots at two thirds of

1914 prices. Wodislav sells its land to private individuals at original prices, and to builders at a price lower than it paid. Gostynin gives away its lots without money, under the condition that later on the builder shall pay one thousand zlotys for every house erected, if two tenants can live in it besides the owner. Bydgoszcz prices its land very low and sells on an installment plan of thirty years with some exemptions, at the time of purchase.

In all these land deals there is one principle set up by the cities—that is, a purchaser must build within one to three years, and if he fails to do so or desires to resell the land, the city shall have the right to take it back, as first option, or to buy it, as the second. Warsaw, in its land deals, uses easy sales terms adopted by the Ministry of Public Works, in view of the fact that the land so far used for building purposes belongs to the state. The city land will be subdivided and sold in the near future by the land foundation. Neither the form, the price, nor the size of the plots has yet been established.

The lots from the state's land are sold considerably below market value and on the time-payment plan, running from five to ten years. For such lots, the city usually charges from 2.05 to 7 zlotys per square meter, depending upon appearance and location. The market value of such lots would be from 5 to 60 zlotys per square meter.

Up to the present, the city has taken from the state authorities and apportioned among coöperatives for building lots, about 450,000 square meters. For the needs of squares, parks, grass plots, and streets, about one million square meters have been used. In addition, the city has taken over about 250 hectares which had been divided or built up. Deeds to the latter land are prepared. Out of this land, 35

hectares are occupied by the city brick factories and 30 hectares are used as a stadium; the remainder of the 250 hectares comprise built-up blocks of houses with the clause of specified completion time. There has been no element of speculation in this land activity. The building laws of the cities have given them the power to exercise a control over the methods of utilizing lots conveyed for building purposes.

SYSTEM OF TAXATION

Closely related to the land policy is the question of taxation on buildings and on land. The subject of state taxation is treated separately. In addition to the state tax, communes themselves impose a tax for a city building fund, amounting to fifty per cent of the state tax; in some exceptional cases, the administrations of these communes can lower this tax to 37½ per cent. Vacant land is also taxed by the communes in addition to state taxation to the extent of fifty per cent thereof.

The rate and the method for this state tax on real estate is definitely prescribed in the Presidential order of June 17, 1924—namely, the basis for setting a tax rate on all buildings depends upon their yearly revenue. If this revenue cannot be definitely established upon certain buildings, such as factories, theaters, unoccupied villas, bathhouses, and so forth, a revenue is tentatively set at the equivalent of five per cent of the real estate cost. Such real estate cost generally equals the price paid for it at a certain previous time, or is estimated on the basis of an established sales price of a similar building located in the same or a similar locality. This, of course, is determined by experts. The tax rate equals twenty per cent of the sum set as the basis for all taxation.

The tax rate on lots and acreages of

land that have been built upon wholly or partly or are entirely vacant, is determined by the order of the Minister of Finance in accord with the Ministers of Public Works, Interior, and Agriculture, as of November 3, 1927 (Nos. 106 and 913)—namely, the land is subject to taxation, whether it is built upon wholly or partly or is vacant, if located within the city limits and if included in an adopted building plan. The land is considered as built upon if it is adjacent to a street or located within a belt of seventy meters width alongside a street dedicated to public use. The land is considered as not built upon if adjacent to streets that have been proposed and approved but not yet constructed nor dedicated to public use; such land is taxed as agricultural land within city limits.

Land is deemed unsatisfactory for building purposes if there are buildings of permanent and temporary nature standing together. Such a piece of land, according to its price and location, is counted as not duly prepared for building use. The state's tax rate on land is established according to price, which is assessed annually on the prices paid one year preceding a tax year. These prices are either actually obtained or are simply calculated on transactions of analogous land in the same locality. It is impossible to estimate a close price on a given piece of land as a basis for setting a figure; an appraised price can be used for financing purposes, taking into consideration the general prices of land, the size, the shape, the frontage, main and side city streets, and also a probable future industrial or commercial use of the land. If a parcel of ground belongs to a legal unit, its price as stated on the balance sheet in zlotys may be accepted, as per orders Nos. 55 and 542 of June 25, 1924, of the President of the Republic.

The standard taxation rate is equal to one half of one per cent of the basic price set for taxation purposes, but this rate equals one per cent on lots facing streets or located in cities with fifteen thousand population according to the preceding year's census. The basic price for taxation is established annually upon the reported and verified declarations of the land owners.

EXEMPTIONS FROM TAXATION

The following classes of real estate are exempted from taxation:

1. Real estate belonging to the state or to cities
2. Land occupied without rent by state or by city public utility administration, to be certified by the city
3. Land under the heading of parks or in the hands of the Building Committee and designated by the City Council for public utility
4. Land not suitable for building purposes, or on which building is forbidden by a law safeguarding teachers or by a law on the working of mines
5. Land under the heading of courtyards of warehouses and other enterprises, necessary for industrial and commercial purposes; also land located within industrial regions and utilized for their objects.

PUBLIC ENTERPRISES

There were public enterprises in Poland before it received its independence. They were mostly in the former Austrian and German territories, under the name of territorial self-governments. The problems of the originally Austrian public enterprises, as a policy at large and as financial self-governments, took definite

form after the declaration of Polish independence. The earlier Austrian enterprises, principally in the large cities, were in the hands of city administrations, through accident or possibly in the interests of the city from a political or administrative point of view. The public enterprises in Poland are produced by all categories of public unions—city, village and county, administrations and public unions.

The most typical enterprise in the villages is the slaughtering and marketing of horses. In the counties, the most typical enterprises are cement factories, brick factories, and agricultural farms. In the cities, other enterprises may be found, such as electrical power houses, gas works (oil and kerosene), market places, bakeries, city trolley systems, horse-slaughtering, and others.

The development of the most important public enterprises in Poland since its independence is shown in the following comparative table:

Enterprises	1919	1929
Electric stations.....	99	214
Oil refineries.....	101	101
Slaughter-houses.....	372	429
Markets and fairs.....	305	493
Brick and cement factories (mechanical).....	62	310
Trolley systems in kilometers.....	329	430
Waterworks and sewer systems....	183	263

From the above figures we can see that the development of public enterprises goes on at a rapid rate. There are 291 electrified cities, with 5,124,000 inhabitants. There are 339 (56 per cent) unelectrified cities, with population of 1,230,000. There are 933 electric stations belonging to private interests. The yearly production of the public electric stations equals

200,000,000 K.W.; that of the private stations equals 2,000,000,000 K.W. There are 101 (84 per cent) public oil refineries and 20 (16 per cent) belong to private interests. The production of public oil refineries is 137,000,000 square meters of oil and private refineries produce 41,000,000 square meters of oil.

All slaughter-houses are controlled by city governments.

There are 119 public and five private waterworks. There are sewer systems in 144 cities. Twenty per cent of the Polish cities have their own waterworks; twenty-three per cent have their own sewers; sixty-four cities, or 10.1 per cent of all the cities with a total population of 2,806,791 (42.3 per cent of the population of all the cities), have waterworks and sewers. Water is used for flushing domestic pits by 3,500,000 inhabitants (51 per cent of all the urban population).

TRANSPORTATION AND THE BUILDING MOVEMENT

The situation in reference to trolley lines and other means of transportation is as follows (excluding Gorní Slansk):

Trolley enterprises (in cities)	9
Auxiliary railroads and interurban trolley enterprises.....	15
Total	24

Of this number, five belong to local governments and three to private corporations of whose stock local governments own fifty per cent; therefore, these eight trolley enterprises may be considered as public; and one trolley enterprise belongs entirely to a private corporation. Eight auxiliary railroads belong to local governments.

Appreciating the importance of con-

venient means of transportation for pushing a building campaign, Polish cities pay a great deal of attention to the development of trolley lines and auxiliary railroads, as they help to build up suburbs on a sound basis, and very often, only the lack of money has halted their construction.

The leading position in the development of means of transit falls to the capital of Warsaw, where in 1918 there were only forty-two kilometers of track, while in 1928 they had grown to ninety kilometers, touching even the farthest points in the suburbs and creating there conditions very satisfactory for building private homes and industrial plants. However, the rapid development of the means of transit with the

INCOME FROM COÖPERATIVE ENTERPRISES

Until recently, enterprises in Poland had little to do with the finances of the public coöperatives, but now their significance grows with every budget year. This can be shown by the fact that the income of all public enterprises of all public coöperatives in Poland (excluding Upper Silesia) is increased; thus, in 1924 the income was 22,200,000 zlotys, while in the budget of 1928-1929 it equals 53,353,200 zlotys. The incomes from owned and concessioned enterprises which the coöperatives included in their 1928-1929 budget, are shown in the following table:

	Owned Enterprises		Concessioned Enterprises	
	Absolute Figures Zlotys	Percentage of General Income	Absolute Figures Zlotys	Percentage of General Income
Village public coöperatives.....	1,034,400	0.8	87,200	0.006
City public coöperatives.....	49,924,800	12.9	9,023,400	2.3
County public coöperatives.....	2,394,000	1.3	752,100	0.4
Total	53,353,200	7.7	9,862,700	1.4

increased money fund has both its good and its bad sides. The rapid building of trolley routes makes many lots desirable and therefore increases their prices, regardless of the lack of water supply, sewers, and electric light. The building of means of travel increases land values and also heightens a city's prominence if the land is improved and inhabited, otherwise it may create speculation in land by the owners. The proper promulgation of a land policy, however, stops such speculation and leaves only the good side of the development of transportation facilities.

In the same budget year of 1928-1929, the public coöperatives assigned the following sums of money to pay off the deficits of their enterprises:

	Zlotys	Per Cent
Village public coöperatives..	486,200	0.4
City public coöperatives....	7,264,400	1.9
County public coöperatives..	488,600	0.3
Total	8,239,200	1.2

The public enterprises, irrespective of all else, belong to the category of

those which produce the necessary products, increasing from year to year. There are many reasons for this, but the most important is that these enterprises are young in their development and are really in their organization stage. Competing on equal basis with private enterprises and regardless of the lack of cheap money, they nevertheless give a true guarantee for their workers of better conditions of work and pay. The fact that the coöperative enterprises bring a relatively small profit can be explained by the reason that they are, in most cases, rather public utility establishments than concerns working for profit as, for example, cement or brick mills. The public coöperative enterprises are treated on equal basis with other enterprises; they pay interest on capital borrowed from private and state institutions as well as local government units, and also pay all taxes.

Some of the coöperative enterprises are among the most highly taxed as, for instance, electric stations, slaughter-houses, fairs in small cities, city markets, quarries, agricultural farms, and partly cement shops, situated in the districts of and sanctioned by the respective communities. The enterprises not requiring a considerable capital for promoting their activities are operated with borrowed capital, which at times amounts to one hundred per cent of the money necessary to keep them functioning.

ROAD CONSTRUCTION AND MAINTENANCE

Polish roads, from the viewpoint of their construction and maintenance, are divided into the following:

1. State roads—the principal arteries between cities and strategical points; built and maintained by the state

2. District roads—the principal roads in separate districts; built and maintained by the district administrations
3. County roads—the principal roads within the boundaries of separate counties; built and maintained by the local county governments
4. Village district roads—all other roads not coming under the above categories; within village boundaries, and built and maintained by the respective district administrations.

The roads were in bad condition, particularly in the eastern part of the country, where they suffered most on account of the world war. They have been repaired, but the number and the quality of Polish roads compared with the Western European highways are very unsatisfactory. There are 13.16 kilometers of roads per hundred square kilometers. This situation may be explained by the neglect of the powers in occupation—an especially evident fact in the former Russian territory. Generally speaking, we find that the Government's condition was such as not to warrant allotting large sums of money for road construction.

In 1925, for construction and maintenance of the roads in Poland, the state budget contained about 28,000,000 zlotys, but the 1929-1930 budget provided for that purpose 68,100,000 zlotys, divided in part as follows:

For repair of state roads	3,000,000
For subsidy of self-governments . . .	4,000,000
For maintenance of state roads and bridges	42,000,000

If one takes into consideration the fact that there are 4,337 kilometers of dirt roads in Poland, it may be esti-

mated that their repair and rebuilding can be accomplished in seventy years.

PROGRAM OF ROAD CONSTRUCTION

The prepared program for repair and maintenance of the existing roads and building of new ones contemplates new sources for collecting money for the road fund—namely, a tax on automobiles, which fund, up to the present time, has been mostly exhausted. The program contains the following points:

1. Putting into condition the existing hard surface roads
2. Rebuilding and adopting new suburban roads
3. Building new hard surface roads in Eastern districts
4. Improving dirt roads through adopting maintenance methods
5. Rebuilding temporary bridges to make them permanent
6. Increasing the output of quarries.

ROAD CONSTRUCTION BY LOCAL GOVERNMENTS

Local governments have expended considerable labor for the construction and the maintenance of Poland's roads. We must bear in mind that local governments, in the greater part of the state, are entirely new institutions and mostly unable to digest the fundamental change and, besides, have had many important questions to solve. They found the roads in a very poor condition (excepting the western part of the country) and encountered financial difficulties. The local governments are to be commended for their road construction, for they worked without assistance from without and showed remarkable interest and understanding of this question.

Up to the end of 1928, the local governments built 3,384.5 kilometers of roads; during the same period the

district administrations built 21.5 kilometers and the state built only 393 kilometers. The number of roads completed by the local governments continues to grow every year. In 1928 alone, these governments repaired 1,407.5 kilometers of damaged roads, not including defective roads in the regions of village districts where road-building came to a standstill as far as financial and technical assistance was concerned. Moreover, in the referred to territory of the Polish State, village, county and district, dirt roads were repaired as follows:

Districts	Kilometers
Central	19,000
Eastern	12,000
Western	18,000
Southern	8,000

Permanent and temporary bridges were built as follows:

Districts	Meters
Central	20,800
Eastern	4,450
Western	1,460
Southern	20,580

In addition, 32,800 kilometers of roads were covered with wood for which purpose 4,460,000 pieces of boards were used. The local governments' expense for building and maintaining the county, district, and state roads amounted, in 1926, to 41,161,989 zlotys and, furthermore, the amount of 583,960 zlotys was deposited for the account of local administrations. In the following year these sums of money increased materially, due to the increase in road construction. From the above state-

ments we can see that regardless of the very difficult prevailing conditions, the local governments accomplished more than was reasonable to expect, and the success of their work is constantly growing, so that we may expect the state, as well as the local governments, to do all that is possible to have our roads equal in number and quality to those of our Western neighbors.

In conclusion I may emphatically say that Poland's cities, regardless of the very difficult situation of the State Government and regardless of the century-old occupation and the devastation brought about by the war, have mobilized all their forces in order to attain a happier condition, and they have already shown considerable progress toward this end.

Public Guidance in Land Utilization in Czechoslovakia

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THE right of the state to interfere with private ownership was expressed in paragraph 365 of the Austrian Civil Code, promulgated July first, 1811. This Code is still in force in the states of Central Europe which grew out of the Austro-Hungarian Empire, and is thus in force in Czechoslovakia. The text of paragraph 365 runs as follows:

If the public weal demands it, a subject of the state is in duty bound to forego even the full right of ownership in return for appropriate compensation.

This provision was incorporated in other Austrian laws, under which expropriation was possible:

1. For the construction of roads¹
2. For purposes of water conservation²
3. For the construction of railways³
4. For purposes of mining.⁴

These laws are still in force in the Czechoslovak Republic, the Constitution of which, promulgated on February 29, 1920, contains a provision,⁵ under which it is possible to restrict private ownership or to expropriate property only by law and in return for compensation, unless a law provides, or shall in the future provide, that no compensation be given.

STATE POWERS IN ECONOMIC DEVELOPMENT

The World War brought with it in almost every country state control of

trade in food-stuffs, metals, and other commodities, called by the Germans *gebundene Wirtschaft*, *Planwirtschaft* (directed economy, planned economy). In the course of the first ten years after the war this control was gradually liquidated, although in some countries house-rent control was introduced, which still exists in Czechoslovakia, but will probably be abolished in the near future.

Nevertheless, the power of the state to intervene and to regulate in the sphere of economic and social development is very considerable, and is favored not only by the Socialist parties but also by parties which are essentially Liberal. The doctrine of *laissez faire, laissez passer* is a thing of the past.

As regards, in particular, the powers of the state in Czechoslovakia touching land ownership, they may be divided into four groups:

1. The right to expropriate land privately owned for building purposes
2. Limitation of ownership of forests in the interests of sound forestry
3. The protection of small tenant farmers
4. The expropriation of certain portions of all large landed estates for purposes of land reform.

Each of these groups is briefly dealt with in the following discussion.

1. EXPROPRIATION FOR BUILDING PURPOSES

The housing crisis is one of the most burning problems in the countries of

¹ Cabinet Decree of May 19, 1853.

² Law of May 30, 1869.

³ Laws of May 13, 1870 and February 18, 1878.

⁴ Law of May 13, 1854.

⁵ Par. 109.

Europe. In the large and medium-sized towns, in particular, the situation has so far been only ameliorated, but not completely remedied. The Czechoslovak Housing Acts⁶ provide for the expropriation of privately owned land for the erection of houses or public buildings, as follows:

- (a) Dwelling-houses
- (b) Essential premises for poor farmers
- (c) Essential business premises for poor traders
- (d) Necessary but not extensive premises for coöperative societies manufacturing commodities
- (e) Necessary buildings for public purposes
- (f) Lands and gardens for sanatoria, and so forth
- (g) Necessary transportation.

For building sites, land is to be taken in the following order: first, that which belongs to the state; second, land that belongs to the local authorities, especially sites that have already been parceled out for building purposes and are suitable; and finally, sites not hitherto parceled out. Land that is not productive is to be taken first, and only in cases where it cannot be avoided is productive land to be taken. Only in the third case is it possible to apply for the expropriation of private land, which can be expropriated only when there is in the locality no land owned by the state or by local authorities which is suitable for building purposes.

The expropriation of private land is further restricted where the owner can prove that it is essential for the needs of his own trade, farm, house, or household. The expropriation of private land is not permissible where the owner offers to the person who asks for the

expropriation other land in the locality suitable for building purposes and at a reasonable price. It is likewise not permissible where the owner himself undertakes to devote the land, within a certain period, to building and other purposes for which the law allows expropriation.

Expropriation of building sites takes place under the previously mentioned paragraph 365 of the Civil Code in return for appropriate compensation. The amount is fixed by the local government offices, either alone or in agreement with the parties interested. If the latter are not satisfied they may appeal to two higher instances, the Office of the Province and the Ministry of the Interior or to the Supreme Administrative Court, or even to the ordinary courts of justice. The procedure in expropriation is in the hands of the local government authorities, and the investigation takes place on the spot and in the presence of the persons interested. If the person for whom the land is expropriated does not carry out the building operations in the time prescribed by the authorities, the former owner may ask to have the expropriation annulled, and the land restored to him. In addition to that he may sue for damages.

Little use has been made of this provision.

2. LIMITATION OF OWNERSHIP OF FORESTS

In view of the proposed forest reform and of postwar economic conditions generally, it was desirable in the interests of the public to provide increased protection for forest property. This is the sense of an Act passed on December 17, 1918, and of the Act of February 29, 1928, dealing with the provisional protection of forests. Under the terms of this Act the power of the state to interfere with private

⁶The first was passed in December, 1919, the last in March, 1928.

ownership concerns the following points:

- (a) The owner of a forest may be required to manage it along certain lines.
- (b) Owners of forests who do not manage them according to imposed plans are required to report to the appropriate authorities the amount felled, (except in cases where not more than twenty-five cubic meters of timber are felled annually), and permission must be obtained for felling more than the normal quantity prescribed by the Act.
- (c) In order to insure that forest areas on which the timber has been felled shall be reforested in timely and adequate fashion, the authorities can demand the deposit of an appropriate guarantee, in cash or securities, and if the owner fails to do his duty, the authorities may carry out the reforestation at his expense.
- (d) In case of serious infringement of the provisions of the Act, or if there is good reason to fear that such infringement will be repeated, the Ministry of Agriculture may appoint a person to manage the forest at the expense of the owner. Special provisions in this respect apply to the large forest properties which come under the Land Reform Acts.

3. PROTECTION OF SMALL TENANT FARMERS

Postwar social and economic conditions in Czechoslovakia permitted of no delay in dealing with agrarian questions, and therefore, before a beginning was made in carrying out Land Reform,

a number of measures were passed for the protection, in particular, of poor farmers and small landholders.

First of all the purchase of long-term tenancies was made possible. An Act of May 27, 1919, provided that small tenant farmers might buy the land which they had held in unbroken tenancy since October 1, 1901, if the area of their farms, including the land acquired, did not exceed eight hectares each (approximately twenty acres.) Compensation to the owner was fixed by the court in charge of the matter on the basis of prices obtained for land in the particular locality in the year 1913. This measure pertained to land owned by the state, the large landed estates that came under the Land Reform plan, estates entered in the provincial land registers, and land belonging to the Church and Foundations, irrespective of the area of the estates. The plan was concluded by 1923, and under it, 128,557 tenants purchased altogether 101,119 hectares at the aggregate price of Kc. 179,083,-380. About eighty per cent of this land was purchased from the large landed estates subject to the forthcoming Land Reform.

A further Act, passed on October 30, 1919, was designed as a temporary protection for small holders against an increase of rent or notice to vacate, such as would threaten their livelihood. This compulsory maintenance of tenancy affected land, farmhouses, agricultural premises, and gardens. The protection was given only to tenants who had no land of their own, rented no more than eight hectares and, with their families, farmed the land personally. Objections by an owner to the prolongation of the tenancy were heard by the court. An increase in rent was allowed, and if the two parties could not agree on the amount, the sum was settled by a court of arbitration com-

posed of a judge (chairman of the District Court) and two assessors nominated by the two parties. This Act expired in 1926.

Similarly, a measure of April 11, 1919, protected the interests of the landless users of pastures in Slovakia. The shortage of pastures was remedied by requiring owners of suitable land to lease an appropriate portion to local small farmers and cotters. This measure was extended, but expired in 1929. Due provision was made for the settlement of disputes.

In Carpathian Ruthenia, land rent was as a rule not paid in money but in kind; that is, with a certain proportion of the yield. These "share tenancies" originated at a time when money was little used, and they were equivalent to the French *métayage*. They were more advantageous to the owner than money rents. In Carpathian Ruthenia it was the aim of the state to protect the primitive tenants of land up to the amount of twelve hectares, who were being badly exploited by this system of "share renting." An Act of July 21, 1921, therefore, enabled them to pay their rents in money instead of in kind. This protection was extended by subsequent Acts up to the end of 1926.

All these adjustments affected the land of the big estates subsequently coming under the Land Reform plan, and, with minor exceptions, all other land.

Reference may here be made to another measure designed to secure the normal execution of the Land Reform plan. This was the Act of January 30, 1920, concerning compulsory tenancies on the big estates coming under the Land Reform. In places where the demand for land was urgent, and where the Land Reform plan could be shortly initiated, the State Land Office could require the landowners to lease to qualified appli-

cants a minimum area of agricultural land for a period not exceeding six years. A prolongation of these compulsory tenancies was made possible in the west of the Republic up to the end of 1926, and in the east to the close of 1929.

Land applied to this purpose did not exceed fifteen per cent of the total area of the large estates. In this way, 265,182 poor farmers and landless persons received altogether 141,172 hectares. On an average each family received 0.53 hectare in tenancy. Allowing for the fact that some of the tenants had land of their own, the amount of land held by each family averaged 0.83 hectare. This measure was part and parcel of the Land Reform plan. On the execution of the Land Reform plan these tenancies were converted into definitive ownership. The social and political significance of the measure was that it allowed the state an interval of three years for making the legal and practical preparations for the definitive Land Reform plan.

4. EXPROPRIATION FOR LAND REFORM

The Land Reform plan, affecting certain portions of all private estates exceeding one hundred and fifty hectares of agricultural land or two hundred and fifty hectares of land of any description, represents the greatest interference with the rights of private ownership in Czechoslovakia.

This reform does not deal with a problem peculiar to Czechoslovakia, but with one affecting the whole of Central and Eastern Europe. While in Western Europe the French Revolution and the political and social developments following it had produced a new order, the old order still persisted in Central and Eastern Europe. The World War, however, produced a political revolution, the collapse of

monarchical government in Russia, Germany, and Austria-Hungary, and everywhere opened the way to a constructive social and economic policy. At the head of this movement, as the events of the past ten years show, stands Land Reform—the new adjustment of land ownership. According to figures given by Sergius Maslov, fourteen countries in postwar Europe, representing seventy-one per cent of the whole area of the Continent and fifty-seven per cent of its entire population, have occupied themselves with this task, some in radical fashion and others with great moderation.

Land Reform represents *a great movement for the democratization of the land, for strengthening the principle of the private ownership of land and for the liquidation of entailed estates as the last relic of feudalism.* The primal character and the extent of this movement are such that it has been discussed at all international agricultural congresses. At the gathering of the International Institute of Agriculture at Rome in 1928, His Excellency M. de Michelis, who presided, said in his

Czechoslovakia previous to the inauguration of the reform.

The Czechoslovak Republic is composed of the former lands of the Czech Crown, (Bohemia, Moravia, and Silesia) together with Slovakia and Carpathian Ruthenia, all these territories having been united in 1918 into a single state. From the tenth century onwards, the Czech lands formed an independent state—the Kingdom of Bohemia—which, from the year 1526, had monarchs of the Habsburg dynasty, and in the course of time became an integral part of the Austrian Empire. Slovakia and Carpathian Ruthenia, on the other hand, were parts of Hungary. The state, as now revived under the name of the Czechoslovak Republic, has an area of 140,394 square kilometers, and more than 14½ million inhabitants.

POPULATION LARGELY AGRICULTURAL

Some 39.6 per cent of the population are engaged in agriculture, including forestry and fishing. In 1910 the proportion of the population engaged in agriculture was forty-two per cent.

Occupations	Bohemia	Moravia and Silesia	Slovakia	Carpathian Ruthenia
	Per Cent	Per Cent	Per Cent	Per Cent
Agriculture, forestry, and fishing.....	29.7	35.2	60.6	67.6
Industry and commerce.....	40.9	38.2	17.7	10.6
Other occupations.....	29.4	26.6	21.7	21.8

speech: "This agrarian change, which offers the necessary basis for a better social order, will no doubt give to the twentieth century one of its characteristic marks."

In addition to social causes, land reform in each country had its special causes. Let us examine briefly the agrarian conditions prevailing in

The western portion of the Republic is very considerably industrialized, but the industrial character declines as one proceeds eastward, where the agricultural element becomes more and more pronounced. The above figures illustrate this.

The density of population declines from 128 per square kilometer in the

west of the country to 48 in the east. The average density is 97 per square kilometer. The total area is 14,035,572 hectares, divided as follows:

	Hectares ⁷
Arable land	5,914,825
Meadows	1,381,045
Gardens	148,132
Vineyards	16,940
Forests	4,652,257
Pastures	1,194,480
Ponds and other water	77,452
Area built on, or barren	650,490

Land ownership conditions were last adjusted in the nineteenth century by the abolition of the final remnants of serfdom through the emancipation of the peasants in 1848. Thus the old feudal system was abolished, and a new and more liberal agrarian system introduced.

The following table shows the number and the size of holdings in the Czech lands (Bohemia, Moravia, and Silesia) previous to the Great War:

Size of Holdings (in hectares)	Number of Holdings	Percentage	Area (in hectares)	Percentage
2 and under	1,049,457	70.76	503,309	6.49
2-5	176,826	11.92	560,855	7.23
5-10	103,497	6.98	744,079	9.59
10-20	94,960	6.40	1,354,689	17.45
20-50	51,813	3.49	1,449,353	18.67
50-100	4,181	0.28	276,924	3.57
100-200	1,126	0.08	151,984	1.96
200-500	567	0.04	173,954	2.24
500-1,000	214	0.02	154,240	1.99
1,000-2,000	165	0.01	240,503	3.10
Over 2,000	236	0.02	2,150,716	27.71
Totals	1,483,042	100	7,760,606	100

These figures show that in the western part of present Czechoslovakia, small holdings of land (the so-called

⁷ One hectare equals 2.471 acres.

"dwarf farms") accounted for 70.76 per cent of all farms, but for only 6.49 per cent of the total area of land. Peasant farms of from five to fifty hectares represented 16.87 per cent of the total number of farms, and 45.71 per cent of the total area. On the other hand, the big estates represented a disproportionately large area. Owners of estates of two hundred hectares and upwards represented only .09 per cent of all landowners, but possessed 35.04 per cent of all land. Owners of two thousand hectares and upwards numbered, indeed, only 236 (.02 per cent) but they possessed 27.71 per cent of all land in the western portion of the present Czechoslovakia.

Prewar statistics relating to the eastern part of the Republic are admittedly unreliable in this regard, and it is therefore unnecessary to quote them. The peasant class was less numerous there than in the west, and the conditions for workers on the land were harder than those which existed in the west. It is little wonder, then, that the eastern part of the

country showed the biggest measure of permanent emigration (mainly to America) and also of seasonal migration, for the purpose of agricultural

labor, to the lowlands of Hungary, to Bohemia, and to Austria.

Between 1900 and 1912, over three quarters of a million persons emigrated from the territories of the present Czechoslovak Republic, or one third of the annual natural increase of the population. The proportion has now declined to one sixth.

FORMATION OF THE LARGE ESTATES

A large proportion of the bigger estates consisted of *latifundia*, that is, entailed estates, of over one thousand hectares each. In Bohemia, seventy-three per cent of the large estates belonged to this type. Such concentration of landed property in comparatively few hands in the Czech lands was not the result of economic development, but was the consequence of political persecution to which the Czech nation was subjected after the failure of the rising of the Protestant nobility and towns against the Roman Catholic Habsburg dynasty in 1618-1620.

At that epoch the triumphant dynasty confiscated *en masse* the estates of the defeated, and in many cases exiled nobles and burghers. These estates were either sold or given to the adherents of the Emperor, and this concentration was stimulated by subsequent developments.

The *latifundia* were protected against dispersion by the institution known as *fideicommissio*, under which the owner, as tenant for life, could enjoy the yield of the estate but was unable to alienate any of it. Such estates were thus maintained until recent times in conditions favorable for farming on a small scale rather than for large areas. Another group of landed estates which were "in dead hands," and therefore never came into the market, was represented by the considerable property belonging to the Roman Catholic

Church. The great drawback of these estates was their bureaucratic system of management and the fact that they produced, in consequence, but little return. In the eastern parts of the state, ownership of land in the form of *latifundia* was less common, for no such far-reaching political interference had taken place there as that represented by the Habsburg confiscations of the Czech lands.

The situation was, however, affected by two circumstances. First, the greater proportion of the large estates including the *latifundia*, consisted of forests, mountain pastures, and so forth, so that the actual area capable of agricultural development represented but a small proportion of the whole and, except in the case of the pastures, was of a nature unsuited to the needs of the peasants and the landless class. The other circumstance was the fact that the big landlords leased a part of their agricultural land either in parcels to local small holders, or as self-contained farms of from fifty to three hundred hectares to tenants. In this way, both from the entailed estates and from the Church domains, a considerable area of land came into the hands of the smaller farmers and peasants.

Some idea of the distribution of owner-occupied and rented lands in the farm units can be gained from the following table, summarized from prewar Austrian statistics of the Czech lands.

This makes it clear that farmers possessing only their own land formed only about one half of all agricultural holdings in the Czech lands. Of all farms, ten per cent were let out on annual rental or lease. Discounting the small number of farms consisting of land loaned to employees, the remaining forty per cent of all farms was of a mixed character, being partly land owned by the farmer and partly rented or leased land. With regard

Class of Farm	Total Number of Farms	2 Hectares and Under	2-5 Hectares	5-10 Hectares	20-100 Hectares	Over 100 Hectares
Farms with owned land only	457,065	172,274	94,748	143,150	43,639	3,254
Farms with owned land of equal or greater extent than the land rented	206,018	69,176	77,436	51,883	7,235	288
Farms with owned land of smaller area than the rented land	155,028	106,013	40,135	8,003	629	185
Farms with rented land only	91,837	78,861	8,615	2,672	785	904
Farms without owned or rented land, on land loaned by employers..	7,878	5,703	1,524	436	210	005

to the big estates, about forty per cent of the Czech lands were rented or leased with their buildings. This leasing of complete agricultural units as well as the tenancies of parceled land reduced the effect of the *latifundia* and encouraged tenant enterprise.

The rental was, in the great majority of cases, paid in cash. Only in the most easterly portion of the Republic was rent in kind customary, and this was delivered by the tenant from the yield of the harvest.

GOVERNMENT INTERVENTION NECESSARY

Such being the situation, intervention by the state was a necessity. Public interest and the common weal were imperative, above and beyond the property rights of some nineteen hundred owners of big landed estates. The carrying out of the Land Reform plan was entrusted to a special authority—the State Land Office—whose president was nominated by the President of the Republic in accordance with the proposal of the Government. In some countries (Poland and Yugoslavia) an independent Land Reform Ministry was created.

The basic measure of the Czechoslovak reform is the Act of April 16, 1919, which proclaimed estates of over one hundred and fifty hectares of agricultural land (arable land, meadows, gardens, vineyards, and hop fields) or of over two hundred and fifty hectares of land of any kind (that is, including forests, water, and so forth) as *zabraný*, that is, "taken over." This measure did not deprive the owners of the rights of ownership so as to transfer their lands to the state, represented by the Land Office. The owner remained owner, but with certain limitations. He could not sell, let, divide, or mortgage his property. In this way the big landed estates were available for the purposes of the Land Reform plan. The Act of April, 1919 was rather a measure of inhibition (the German *Sperre*) and it is totally incorrect to describe it as one of confiscation, occupation, or expropriation.

The Land Reform plan does not apply to estates which belong to the parishes, the districts, the provinces, or the state. Under its provisions came 1,873 owners possessing: 1,278,549 hectares of agricultural land, and 2,741,620 hectares of forests and so

forth, making a total of 4,020,169 hectares.

Not all this area was, of course, intended for distribution among small farmers, peasants, and landless persons. The Act of April, 1919, provided that every owner should be allowed to retain in unrestricted ownership a quantity of one hundred and fifty to five hundred hectares, as well as all buildings not connected with the farming of the land: while a subsequent measure, the so-called "Allocation Act," provided that the owner should be allowed to retain all areas devoted to parks and forest reserves, historical and notable buildings, and so forth. Although not all owners have hitherto put in their full claims, the amount of land already restored to them and left in their unrestricted ownership is 1,083,080 hectares, or 26.8 per cent of the total area shown above. It is estimated that, in all, owners will be allowed to retain some thirty per cent of their agricultural land, and some forty per cent of their forests. Land Reform does not therefore mean the complete parceling up of the big landed estates or their extermination, but merely the reduction of their size.

The state secured the right to take over the properties required under the 1919 measure, and to retain them in its own ownership or allot them to qualified applicants. The "Allocation Act" of January 30, 1920 laid down the legal form of the distribution (fee simple ownership or tenancy, individual or corporative), and the qualifications of the applicants (poor farmers, landless persons, agricultural workers, the parish and other local authorities, scientific and charity organizations, and so forth).

The underlying principle is to supplement small farms so as to make them capable of providing a living for the owner-farmer, thus strengthening the

category of small and medium farms, in order that they, instead of, as hitherto, the big landed estates, may represent the center of gravity of agricultural production.

Buildings connected with an agricultural industry carried on by the owners of landed estates were subject to the Land Reform plan only when they were exclusively dependent upon the agricultural output of the estate in question. The landed estates taken over have not been parceled out mechanically, but, as far as possible, the largest farms, together with their buildings, have been allotted to the former tenants and officials of the estates—persons with appropriate training and experience. The average size of such farms is ninety-six hectares. The remainder of the land was distributed among the local needy agricultural workers, an average of one and a half hectares going to each family. Where it was possible, new peasant settlements of an average area of 1,220 hectares have been founded, and the persons receiving land have, with the aid of loans advanced by the state, had the necessary houses and buildings erected. Land has also been allotted in villages and towns for housing purposes, sites for gymnasia, recreation grounds, and so forth.

BASIS AND METHOD OF COMPENSATION

An Act of April 8, 1920 provided that in every case compensation be paid in cash for the landed estates expropriated. The only properties taken without compensation were the lands of the former monarchy and dynasty taken by the Czechoslovak State, which was empowered by the Treaties of Peace to do so, in so far as such lands were within Czechoslovakia. The amount of compensation for expropriated estates corresponded to the

price of the land of such estates in the years 1913 to 1915, and was fixed in each individual case according to the character of the yield in the district in question (beetgrowing area, grain area, potato and grain area, fodder area); according to the character of the property (land without buildings, land with buildings); or according to location (proximity to a town, to a railway). Live and dead stock was not expropriated, and the owner usually disposed of it in the open market.

In ninety per cent of all cases an agreement was reached with the owner of the estate as to the amount of land required for allocation, the moment of transference, the particular areas to be left in his possession by the state, the compensation to be paid, and the manner of payment. Only in about ten per cent of the cases was no agreement reached with the owner, and in these cases the state settled the matter according to the demand for land, proceeding in all cases according to law. The owner can appeal against the assessment of compensation to the Supreme Provincial Court, and again to the Supreme Administrative Court. Thus the courts, entirely independent of the State Land Office, can inquire into the case and ascertain whether compensation has been fully fixed according to the provisions of the law.

The compensation is in every case apportioned by the court, which fixes the order and the amounts of payments, in respect of unpaid taxes, capital levy, mortgage debts, and other obligations incurred by the owner. For the balance, the owner has a claim upon the state. As a rule, one half of this sum is paid at once to the owner in cash, and the other half in installments. The institution of the "Compensation Bank" has been little used. The

state pays four per cent interest on unpaid compensation.

The recipients of the land, who so far number over half a million families, must pay for it the sum fixed by the Land Office. This price is about fifty per cent higher than the price paid as compensation to the large landowners. Out of the difference are paid: (a) all the expenses of the Land Reform plan (some twenty-seven million crowns annually); (b) the cost of providing for the employees on the estates taken over, who thus lost their livelihood (so far this outlay has been 279 million crowns); and finally (c) a contribution to the capital levy on the land taken (so far 91.6 million crowns have been paid under this heading). Where required, the state advances the necessary credit to recipients of land out of a special fund, or guarantees such credit with the banks. Up to the present the credit advanced in these two forms to recipients of land totals 672.5 million crowns.

RESULTS OF LAND REFORM

So far, out of the estates of the big landlords, the state has taken over and distributed 812,405 hectares of agricultural land and 554,430 hectares of forests, and so forth, making a total of 1,366,835 hectares.

The agricultural land thus distributed represents about eleven per cent of all agricultural land in the country. It has been so allotted that 22.3 per cent forms farms of 30 to 120 hectares, while 87.7 per cent has gone to form holdings of under thirty hectares. Forest areas have been allotted, in the main, to the state itself and the local authorities, for the law forbids its distribution among individuals. Only in exceptional cases, where it is a matter of rounding off a farm, can a portion of forest area be allotted to an individual.

In respect to agricultural land, the reform has been completed, and in 1930-1931 the State Land Office will complete the reform in respect to the forest areas. The main recipients will be the state and the local government bodies.

The fears expressed by opponents of the Czechoslovak Land Reform plan have not been fulfilled. The flourishing agricultural industries of the country have not been adversely affected either in their output or in their development. Ownership of agricultural land has not been reduced to one level, for big estates are still proportionately represented in the structure of land ownership. Production on the land distributed has not declined, for official returns show a slight advance in the total crop yield as well as an increase in the average yield per unit of area.

On the contrary, the augmentation and the strengthening of family-operated farms represents increased incomes and thus an improved purchasing power of the masses. The reform was revolutionary in its origin, but is soundly conservative in its results. It has contributed in substantial fashion towards reducing social contrasts and tension, and has made the masses in Czechoslovakia immune to the destructive tendencies of Bolshevism. President Masaryk declared on October 28, 1927 that "Land Reform had contributed to the consolidation of the Republic and thus has rendered great service to the whole of Central Europe." This, its constructive function, is at the same time the justification for the state's interference with the private property rights of individuals.

Internal Colonization in Germany: a Problem in Rural Land Utilization¹

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INTERNAL colonization and land settlement are not always synonymous and are not definite concepts. In the broadest sense of the word, land settlement means every type of relation of man to the soil, and embraces urban and suburban housing, allotment-gardens about cities, part-time and full-time garden settlements, and all types of settlement in rural areas. The concept "internal colonization," on the other hand, is limited to rural areas and other territories for agricultural settlement. In this sense, it embraces all types and uses of property, from agricultural giant farms (estates) to the most prevalent independent small and medium agricultural areas and down to handicrafts and workshops. The following presentation is limited to this narrower concept of rural or agricultural settlement.

AIM AND METHOD OF RURAL SETTLEMENT

In the broadest sense, the goal of internal colonization or rural settlement is the change and the improvement in the distribution of agricultural lands within the territory of the country, from the points of view of economic, social, and population policies. In effect, it means the multiplication of the number of independent agricultural units which can be achieved (1) by bringing under cultivation moor and waste lands or former forest lands, or (2) by using old agricultural lands; that is, as a rule, by breaking up larger

agricultural areas into numerous independent or dependent units and into individual parcels.

For the former type of settlement, there are barren wastes of very considerable area available in Germany, but the preparation of the soil for agricultural use is so expensive that their reclamation under present price conditions and international exchange relations is unprofitable for agricultural production. Consequently, the settlement of areas wholly under cultivation in large units is today, as before the war, the chief sphere of activity of internal colonization.

Furthermore, the concept "settlement" pertains to planned work, viewed from the standpoint of general welfare, and carried out by either the state or public corporations, or at least guided, supervised, and aided financially by them. This, however, does not make rural settlement an artificial creation, for as long as the activity has been carried on in Germany under public guardianship, it always corresponded and still corresponds to the natural development of rural land ownership relations, as expressed in a thousand individual observations. Statistical compilations of agricultural units indicate a continuous advance of small and medium sized farms at the expense of the giant farms, that is, a complete or partial breaking up of such large estates.

Since the eighties of the last century, this development has taken place amid the free play of economic forces, through the activity of subdividers,

¹Translated by Karl Scholz.

so-called estate butchers (*Güterschlichter*), and often enough by overpricing and heavily burdening the newly established small landholdings. In the Prussian provinces of Posen and West Prussia, which showed a pronounced Polish speaking population, it was this development which allowed agricultural lands to pass out of the possession of German manorial lords and large farmers into the hands of small Polish peasants. To safeguard against this movement, so undesirable to the state, the Prussian Government in 1886 established the Settlement Commission for Posen-West Prussia, and thus took the first step toward public control and guidance in the division of large estates into small farm settlements. From this year we date the rural settlement or internal colonization in Germany, as previously defined.

The Settlement Commission bought manorial estates and farms with public funds, divided them up into smaller farms, and sold them for a small initial payment and an annual rental to sons of German peasants and farm laborers. It thus made possible the transference of many farmers from the west and south of Germany to the east of Germany. All told, the Settlement Commission, in the thirty-two years of its activity (1886 to 1918), bought 827 estates—613 from German owners, 214 from Polish owners; and 630 farms—356 from German owners, 274 from Polish owners; with a total surface of 460,451 hectares. The purchase price was 487 million marks, or an average of 1,057 marks per hectare. About one third of the surface remained undivided, in larger estates; two thirds, or 309,931 hectares, were divided, between 1886 and the end of 1917, into a total of 21,749 new farms, averaging 14.2 hectares each.

OPPOSITION FROM POLISH SETTLERS

Pronounced opposition to the activity of the Settlement Commission was developed on the Polish side by the settlement of Polish small farmers on bought-up German and Polish manorial estates, and the Settlement Commission succeeded only after a period of years in outnumbering this counter-movement. The hundreds of new villages, with their ornate farmhouses and their well-kept fields and gardens, became an outstanding landmark in the picture of agriculture, particularly in the Province of Posen. As a result of the unfortunate conclusion of the war, the greater part of the provinces of Posen and West Prussia have fallen into the hands of the Polish State. The activity of the Settlement Commission was thus terminated. A large number of German settlers were deprived of their possession and had to flee to Germany. The Polish State, with abundant means and eagerness, and with considerable numerical success, then carried on the settlement with Polish peasants.

Although national political reasons primarily guided the activities of the Settlement Commission, there was manifest necessity for the regulation of the parceling and the dissecting of large agricultural holdings of the newly colonized small farmers. This was made possible by the Farm Leasing Law of the year 1891. This law permitted the breaking up of large estates under private initiative, but subjected the carrying out to the supervision and the coöperation of state authorities, through general and special commissions.

A "leased farm" is an improved piece of land (farm real estate) which is sold, not for a definite purchase price (although this also is established) but for a definite annual rental. The

rental includes interest and amortization and extends over a period of between fifty and seventy years. Aside from exceptional cases it cannot be increased nor terminated; on the other hand, the burdened lessee can at any time substitute the payment of the debt balance for rental payments.

With the consent of the Land Board, the leased farms can be sold only to non-members of the family, or divided up, and in case of inheritance, must be sold as a unit to a single heir, at a moderate price (*Anerbenrecht*). The institution of leased farms makes it possible for small farmers with moderate capital to take over a medium sized farm of about ten to twenty hectares with sufficient buildings and equipment, since the total remaining purchase price up to ninety per cent of the loan value is leased.

The Prussian State transferred to the Renten banks, already in existence and newly established, the collection of rents and issued income bonds which were purchased by private capital. The interest amounted to three and a half per cent, later to four per cent. In this manner, settlement was financed on a large scale, and private wild land speculation was frustrated, because this cheap capital was not available for it. The Renten banks, with the aid of the tax authorities, collected the rentals from the settlers and in turn paid interest to the holders of the income bonds, the Prussian State thus guaranteeing the interest on these bonds. The Settlement Commission as a rule also sold the farm leaseholds created by it for a rental to be paid into the state treasury.

FORMATION OF SETTLEMENT COMPANIES

Technically, the Settlement Commission and the Prussian Land Board

rendered excellent service, but their activity, as is unavoidable to a certain extent in bureaucratic organizations, was expensive and cumbersome. Consequently, the so-called provincial public utility settlement companies have been created in all Prussian provinces since 1903. They were organized as limited liability companies. Stockholders were the Prussian State (usually holding half of the invested capital), provincial and district boards, rural centers, and other public organizations. These companies took over the entire execution of land settlement. The land offices in general merely continued to coöperate in transferring the rentals to the Renten banks.

These companies possessed the market in mobility of a private company. The large invested capital—before the war they had a total of about fifty million marks—and particularly the intermediary credits afforded by the state, gave them a broad financial foundation to purchase large estates for settlement purposes, to pay debts on these estates, and to erect buildings and other equipment necessary for the settling and the development of new communities. By means of the income bond credit, the capital funds and the intermediary credits of the state were kept liquid and in constant turnover. Management was essentially of marketing nature, but in the sense of self-managed public corporations. The Prussian State, in spite of its fifty per cent participation in the invested capital, had only one third of the votes on the Board of Directors and of the stockholders; but the choice of the manager and the managerial program required the approval of the state through the President of the provinces. Since the settlement companies, in spite of their private legal form, had public policies to carry out, and were thus in the nature of public utilities,

the maximum return on the invested capital was fixed at five per cent.

This organization was unusually successful in prewar years. The land settlement boards did not cease their activity with the development of settlement companies, but continued to work as before with the private settlement enterprises, the self-settling land owners, the communes, and the district associations.

Of 23,781 leased farms, 19,599 were

tivity was halted during the war. For the period of actual work of the Settlement Commission and the settlement companies, namely, the twenty-four years from 1891 to 1914, the following results obtain; 528,950 hectares of land were divided into 41,837 leaseholds. Thus, we have an average size of 12.6 hectares and an average annual creation of 1,743 leaseholds with an area of 22,000 hectares in round numbers.

TABLE I—PRUSSIAN SETTLEMENT ACTIVITY FROM 1891 TO 1919

	Eastern Provinces	Western Provinces	Total for Prussian State
Number of estates acquired for total or partial settlement.....	2,298	8,808	11,106
Purchased areas (hectares).....	394,964	92,827	487,891
Areas divided into leased farms (hectares)	218,324	40,604	258,928
Number of leased farms.....	18,125	5,656	23,781
Of these, in excess of 5 hectares.....	12,047	1,996	14,043

new developments and 4,182 were so-called supplementary purchases, that is, small agricultural areas which were enlarged into independent units through the acquisition of additional lands.

The chief districts for this settlement were the eastern provinces, to the east of the Elbe, the territory of large estates. Consequently these, as is noticeable from the table, were divided up primarily. The average size of the leaseholds established is about twelve hectares. Two thirds of the new settlements may be considered independent farm units.

The total Prussian settlement activity from 1886 to 1919 (close of the war) may be summarized as follows: land areas acquired for purpose of settlement, 948,342 hectares; of which 568,067 hectares were divided into leaseholds. The total number of leaseholds created was 45,530.

Naturally, the entire settlement ac-

Outside of Prussian lands, major settlement activities promoted by the state were carried on in Mecklenburg-Schwerin and in Oldenburg. In the latter state, settlement extended primarily to the moor and heath lands existing very extensively there; in Mecklenburg, where large scale farming of old manorial estates prevails very extensively, settlement was carried on primarily in the so-called domains (state property). From 1900 to 1918, 3600 workers' establishments and 1230 small farms were there provided for.

We will not be far wrong in estimating the total German prewar settlement, including that in Prussia, at about fifty thousand units, of which approximately thirty thousand may be viewed as independent farms.

The total number of settlers, assuming four to five for each leasehold, may be placed at 225,000 in round numbers.

Numerically, this is not a very pronounced success when compared with the increases in German population of that time, but the majority of German settlers have been permanently preserved for rural lands and for agriculture, in contrast with the large masses which have migrated to the cities and the industrial districts (flight from the land). The best results of the settlement activity are along social lines and from the standpoint of population policy, since it multiplies the possibilities of independent existence in rural areas and creates new outlets for increases in population. The possessors of leaseholds in general have paid their rentals very punctually. They have increased their fixed and working capital and developed their farms. They have distinguished themselves as very good farmers, and, in general, have made economic progress.

THE FEDERAL LAND SETTLEMENT LAW OF 1919

The World War and the German revolution have given a strong impetus to the land settlement movement in Germany. Even before the overthrow, certain groups, kindly disposed toward land settlement, under the leadership of the well known land settlement exponents von Schwerin and Sering, had prepared a bill which was announced as an emergency measure by the popular Assembly in January, 1919. This was incorporated almost literally in a law, with only one noteworthy extension, by the German National Assembly in August, 1919, and was called the Federal Land Settlement Law.

This law ties up organically with the land settlement organizations existing in Prussia and transfers these to the entire Republic. Wherever public utility settlement enterprises do not exist, the federal states are required

to establish them for the purpose of creating new land settlements, and to enlarge existing small farms so as to make them individual, independent, agricultural units. The latter provision, as to the so-called adjoining land settlement (*Anliegersiedlung*), is the main difference between this law and the order of January, 1919.

The Federal Land Settlement Law regulates primarily the provision of agricultural settlement lands. It provides that leased state domains, upon expiration of the lease, shall be offered to the public utility land settlement enterprises at no more than the rental value, in so far as their retention in the possession of the state is not necessary for construction, experimentation, or other purposes of a public or economic nature. The public utility land settlement undertakings are permitted to take over uncultivated moor land or other waste land for purposes of settlement. They have, moreover, a legal preferential purchase right to all agricultural areas located in their districts having an area in excess of twenty-five hectares, and can thus intervene in any proposed agreement for purchase, unless it is a sale to a relative or to a public legal corporation.

SOURCES OF SETTLEMENT LAND

The chief sources for the acquisition of settlement land, however, are the large estates with more than one hundred hectares of agricultural surface. Their owners are combined into land furnishing unions in all districts where their property constituted more than ten per cent of the agricultural area according to the agricultural census of 1907. The land furnishing union has to provide land suitable for settlement, from the large estates, at the request of the public utility land settlement enterprise, at an appropriate price. Wherever an urgent need for settle-

ment land cannot be satisfied in another manner (with public lands, confiscated waste land, or preferred purchase right), the land furnishing union has the right to provide such land from the property of the large estates, in return for reasonable compensation, by means of expropriation. According to a later amendment, a redeemable rental value or mortgage corresponding to it may be regarded as appropriate compensation. A permanent commission decides as to the expropriation and particularly as to the amount of compensation. This commission consists of two representatives of the land furnishing union and the land settlement enterprise, as well as of a chairman appointed by the Land Board.

First, estates of war profiteers or absentee landlords are to be acquired for settlement, especially through expropriation. Next, poorly managed estates and those of unusually large size (*Latifundien*) are to be acquired. The obligation of the land furnishing union is fulfilled as soon as one third of the usable area of large estates in a district has been made available for settlement purposes, or the participation of large estates in the usable area decreases to less than ten per cent. The provision of settlement land and particularly the selection of estates to be expropriated was thus placed in the hands of a compulsory organization consisting of a confederation of large landholders—a provision which was strongly opposed, but which has worked very well in practice.

Carrying out of settlement and particularly financing was left to the individual states. In the states outside of Prussia, public utility land companies were organized, modeled after the Prussian pattern. Thus in Bavaria Saxony, Mecklenburg-Schwerin and the smaller states, special settlement offices or settlement divisions of the

Ministry of Agriculture were arranged instead of land settlement companies. In addition to the provincial public utility land companies and settlement boards, so-called private settlement companies as well as corporations, district settlement companies, and so forth, were permitted to carry on the settlement work, even as before the war in Prussia; but it was provided that the land offices should approve, in individual settlement proceedings, on the basis of public usefulness. In this manner, they could also enjoy the cheap public credit.

DEVELOPMENT OF GERMAN POSTWAR LAND SETTLEMENT²

After the unfortunate culmination of the World War, an unusually lively demand for possession of land was noticeable in Germany. It was called forth by the spatial confinement of the German people as a result of the surrender of territory, the pronounced overflow in all professions in consequence of demobilization, the continued compulsory provision of raw foodstuffs and the enduring shortage of provisions for some years, the almost complete cessation of migration, and the active propaganda for land settlement, particularly among the war veterans. But the shattering of German currency and German public finance very

² German settlement activity since the war has received thoroughgoing and extensive treatment in a special investigation of The Committee for Investigation of Production and Marketing Conditions in German Economy. It is published under the title, "Rural Land Settlement after the War," *Treatises and Reports of Subcommittee for Agriculture* (second subcommittee) vol. 10, Berlin: E. S. Mittler and Son, 1930. The report was prepared under the guidance of the well-known agrarian and land settlement authority, Professor Dr. M. Sering, of the German Research Institute for Agriculture and Land Settlement Problems, Berlin Division, by the scientific expert of the Institute, Dr. Rudolf Lerch.

soon became a serious obstacle to the establishment of new farms.

ADJOINING LAND SETTLEMENT

The idea of land settlement therefore first focused on the purchase of lands to be added to existing small land units—the so-called adjoining land settlement. This movement was strengthened by the events in Russia and the rest of Eastern Europe.³

The enlargement of small units by supplementary purchases is a process which was also frequently observed before the war. It reflects the desire of small landholders to expand and to achieve independence if possible; that is, to arrive at a farm unit which will utilize on one property the entire labor power of the owner and his family, and on the other hand, will afford livelihood from agriculture alone. This movement has always been particularly pronounced in West and South Germany. To a certain extent, as previously observed, it was encouraged by the prewar Prussian settlement activity.

The Federal Land Settlement Law gave the small, dependent landholders a legal claim to larger tracts, which might, if necessary, be satisfied through the process of expropriation. In Prussia, adjoining land settlement was carried out systematically in almost all village communities. In accordance with a specific mandamus, which was followed by other German States, land areas necessary for new settlements were not to be narrowed too much by adjoining land settlements. It was also intended to avoid injuries to the economic management of the large

farms of those who were required to surrender part of their land.

It was not always possible to follow this order. It frequently resulted in conflicts between the large property holders, who were required to surrender land, and the land-hungry small property holders, as well as the Land Boards (represented in Prussia by the so-called Land Offices). Fixing compensation amidst rapid money depreciation due to inflation was particularly difficult. Frequently it was equal to zero, especially with reference to claims of large property holders and the consequent dragging out of payments.

The surrender of land was carried out either through purchase or lease, with and without preemption rights. The number of farm unit enlargements during the first three years after the war amounted to over 24,000 annually, rose to 30,000 in 1922 and to 32,600 in 1923. With the introduction of a new stable German currency toward the end of 1923, the abolition of a compulsory economy, and the satisfaction of many desires for land, adjacent land settlement activity declined very decidedly after 1924. The number of enlarged units decreased from 20,000 in round numbers in 1924 to 5,700 in 1927, but rose again to 7,000 in 1928.

While in the earlier years the transfer of additional tracts represented primarily leasing of land (eighty per cent of the total), in recent years the relationship has been reversed, seventy-six per cent of the tracts being purchased in 1928. It is noteworthy that from year to year, the actual objective of adjacent land settlement, namely, independence of small property holders, has been attained in relatively increasing measures. Statistical data pertaining to the total result of adjoining land settlement are contained in the next section. The

³ Compare "The Agrarian Upheavals in Eastern Europe Outside of Russia"; a symposium, edited with introduction by M. Sering. *Investigations of the German Research Institute for Agrarian and Land Settlement Problems, Berlin Division*. Published by W. de Gruyter and Company, Berlin and Leipzig, 1930.

effect of adjoining land settlement may be judged approximately as follows:⁴

During the period of scarcity of food-stuffs, many people unsuited for agriculture obtained possession of land, by adjoining land settlement, which was subsequently poorly worked. . . . To a certain extent, a shortage of labor power was created by the transition of craftsmen and farm laborers to exclusively agricultural pursuits. Many small farmers on uneconomic tracts gave up the adjoining lands when the food shortage during inflation years was over. These economic disadvantages associated with adjoining land settlement, as well as the social tensions, may be offset by the fact that forty to fifty thousand people have been made independent under the decree inserted in the Federal Settlement Law by the National Assembly in Weimar. In consequence, they are able to use much more effectively their own labor power and that of their families, as well as the buildings and inventory capital. They have thus attained the goal which, according to all experience, is the only way in which economically independent but socially dependent people can be kept on the farms. Only adjoining land settlement has made it possible during the period of extreme capital shortage for such a considerable number of hitherto dependent and semi-dependent people to be elevated to a position of independent farmers. Adjoining land settlement became an outlet through which the spiritual depression, which the Eastern European agricultural Bolshevism exerted upon German small landholders as well as upon landowning agricultural day laborers, could find a bearable and safe relief.

NEW LAND SETTLEMENT

The creation of new land settlements began with the existing land settlement machinery in the year 1919. Originally, considerable public means were available for its execution (in Prussia, 110 million marks, intermediary credits, and the continuous

⁴ "Rural Land Settlement after the War," *op. cit.* part 2, end of paragraph 5.

Renten bank credit). Land settlement boards and settlement companies were animated by the best will toward land settlement. Settlement land was available in extensive quantity and could be provided partly out of state domains and by taking up preëmption rights. Numerous settlers with sufficient initial capital and requisites for carrying on farming also applied. But rapidly progressing inflation devaluated public funds, public intermediary credit, and the subsidies granted almost everywhere for building purposes, as well as invested capital of land settlement companies and private savings of prospective settlers. Money depreciation and the flight to fixed values caused the commodity market to approach more and more a complete standstill. No landowner was any longer inclined to surrender his land for worthless paper money.

Consequently, new settlement, which in all of Germany amounted to 1,820 farms in 1919, 1,926 in 1920, and 2,619 in 1921, ceased very soon because of lack of funds, of land, and of settlers; but the wholesale influx of German settlers exiled from Poland, whose property in the former German territory had been confiscated and liquidated illegally by the Polish Government, created an emergency situation. The refugees were of the very best German small farmers. A change in profession was impossible for them, and their resettlement on farms was a political and moral duty. It was therefore carried out in spite of all obstacles created by irrational money conditions. The number of new settlements amounted to 2,963 in 1922, 2,902 in 1923, and 2,797 in 1924. Forty to forty-six per cent of the new settlements in the eastern Prussian provinces were made by refugees.

The necessary settlement land, which could not be bought in the free com-

modity market, was provided by a special law (Refugee Land Settlement Law of 1923), largely through the voluntary offering of land on the part of large property holders and the intercession of land-furnishing unions, but in part also by the application or threat of expropriation provisions in the Federal Land Settlement Law. All told, 16,422 hectares, equal to forty-one per cent of the land from estates, were obtained by expropriation of property of large estates in 1922. The established compensations, as well as the voluntary sale prices, were of course very low, because of currency depreciation. They amounted to about ten per cent of the former value of the land, in so far as we may compute them by a comparison with the prevailing rate of dollar exchange. All the new settlements during the period of maximum inflation (1922 and 1923) were carried on at the expense of large property holders, whose land was being taken, and of land settlement companies. In 1923, the rye bond was introduced to finance land settlements, the first stable value security in Germany, a precursor of stable currency.

DIFFICULTIES IN FINANCING SETTLEMENT

With the introduction of the Rentenmark and special credits for fugitive settlers, new settlement could be sustained on a large scale during 1924; but in 1925, the supply of land of settlement companies, created during inflation, was exhausted. About three fourths of the invested capital was destroyed by inflation, and public intermediary credits and building loans were available only in very small amounts in view of disorganized public finances. Interest on private capital was so high that the settlement companies could avail themselves of only the most urgently needed credit, merely to keep

themselves above water. Consequently, new settlement declined very rapidly, particularly since the greater part of the fugitive settlers had been provided for. In 1925, it amounted to 1,785 farms, and in 1926 to 1,906 farms.

In the late summer of 1926, the Federal Government decided to assume responsibility for financing land settlement. The Reichstag created annual land settlement credits of fifty million marks for a period of five years. Prussia also made intermediary credits and building loans (house interest tax loans) available again, and in part restored the invested capital of the land settlement companies. In consequence, new settlement was given a strong impetus. The amount of purchased land to be settled, doubled and trebled. The number of new land settlements rose to 3,372 farms in 1927, and to 4,253 farms in 1928.

The composite results of internal colonization in Germany are set forth statistically in the following section.

The free commodity market was revived very quickly with the new currency. Land was increasingly offered for sale at declining prices. The land settlement companies were now able to meet their land demand independently. Practically, the compulsory measures of the Federal Land Settlement Law were no longer applicable. In 1929, the economic condition of the large estates was frequently so unfavorable that in some of the small districts, the entire large property class is now impecunious and cannot be liquidated, simply because there are no buyers. In most eastern districts, the greater part of the large estates are for sale. The land settlement companies are practically the only purchasers of large estates, and they can buy only a fractional part of the supply.

POSTWAR STATISTICS OF GERMAN LAND SETTLEMENT ACTIVITY

TABLE II—ACQUISITION OF LAND BY LAND SETTLEMENT ORGANIZATIONS

	East* Germany	West and South Germany	Total for Germany
(a) <i>Absolute numbers (hectares)</i>			
Settlement land in general.....	373,543	127,960	501,503
Of which			
1. Moor and waste land.....	21	20,325	20,346
2. Public land (domains).....	51,979	8,868	60,847
3. Large estates.....	311,865	45,372	357,237
4. Other land (primarily in possession of farmers).....	9,678	53,395	63,073
(b) <i>Relative numbers</i>			
Settlement land in general.....	100	100	100
Of which			
1. Moor and waste land.....	0.0	15.9	4.1
2. Public land (domains).....	13.9	6.9	12.1
3. Large estates.....	83.5	35.5	71.2
4. Other land.....	2.6	41.7	12.6

* Included in this are the east Prussian provinces of Upper Silesia, Lower Silesia, Brandenburg, Grenzmark, East Prussia, and the two free states, Mecklenburg-Schwerin and Mecklenburg-Strelitz.

Of the land analyzed in the above table, 41,268 hectares, or 9.8 per cent, were obtained from private possession (items 3 and 4) by exercising preëmp-tion rights; and 26,481 hectares, or 7.4 per cent, from estates (item 3), including 2,548 hectares of expropriated moor and waste land. All told, 70,297 hectares, or fourteen per cent of the entire settlement area, have been obtained with the aid of compulsory provisions of the Federal Land Settlement Law. In the settlement area, land is not included which was surrendered directly by the landholders to adjacent land settlement through the intercession of the land offices.

The land furnishing unions in East Germany have obligated themselves to provide 1,390,000 hectares all told, of which they have made available in round numbers 370,000 hectares during the ten years from 1919 to 1928 according to the Federal Land Settlement Law, or in round numbers, twenty-seven per cent. In the provinces of Upper and Lower Silesia, fifty-five and forty-four per cent, respectively, have been made available. In West German districts, the province of Schleswig-Holstein has furnished twenty-eight thousand hectares, or forty-nine per cent of the land to be provided.

TABLE III—NEW LAND SETTLEMENTS

	East Germany	West and South Germany	Total for Germany
Divided area (hectares).....	190,101	69,413	259,514
Number of new land settlements.....	16,127	10,216	26,343
In excess of 5 hectares each.....	8,544	3,786	12,330
Average size (hectares).....	11.8	6.8	9.9

TABLE IV—ADJOINING LAND SETTLEMENT

	East Germany	West and South Germany	Total for Germany
Divided area (hectares).....	119,441	61,889	181,330
Number of enlarged farms.....	98,079	93,585	191,664
Of which, enlarged in excess of 5 hectares..	27,384	11,007	38,391

TABLE V—COMBINED RESULTS OF LAND SETTLEMENT

	East Germany	West and South Germany	Total for Germany
Divided area (hectares).....	309,543	131,301	440,844
Number of newly established or enlarged farms.....	114,206	103,801	228,007
Number of newly established or enlarged farms in excess of 5 hectares.....	35,928	14,793	50,721

TABLE VI—RELATIVE FIGURES—PARTICIPATION OF INDEPENDENT FARMS IN SETTLEMENT

Of 100	East Germany	West and South Germany	Total for Germany
New land settlements having 5 hectares and more.....	53	37	46
Farms enlarged to 5 hectares.....	28	12	20
Sum of independent farms in percentages..	31	14	22

TABLE VII—AVERAGE ANNUAL RESULTS

	East Germany	West and South Germany	Total for Germany
New settlements.....	1,613	1,021	2,634
Of which independent.....	854	379	1,233
Made independent by adjoining land settlement.....	2,738	1,101	3,839
Total independent.....	3,592	1,480	5,072
<i>Compared with prewar annual farms in Prussia</i>			
Leaseholds.....	1,500	235	1,735
Of which independent farms ca.....	1,000	85	1,085
<i>Annually divided areas</i>			
After the war, about hectares.....	31,000	13,000	44,000
Before the war, about hectares.....	20,300	1,700	22,000

TABLE VIII—SETTLEMENT IN THE YEAR 1928

Areas obtained for settlement.....	78,468 hectares
Divided for new settlement.....	50,616
Number of new settlements.....	4,253
Of which independent.....	2,439
Number of enlarged farms.....	7,028
Of which independent, about.....	2,000
Total number of independent farms, about.....	4,440
Total number of independent farms, in 1929, about.....	5,000

TABLE IX—PERSONAL STATUS OF NEW SETTLERS (PRUSSIA)

	Eastern Provinces	Western Provinces	Total for Prussia
Number of new settlers.....	14,406	7,110	21,606
Number of dependents.....	51,462	20,059	71,521
Total number of settlers.....	65,958	27,169	93,127
<i>Of the new settlers:</i>			
Those originating in eastern provinces....	9,782	108	9,890
Those originating in western provinces....	627	6,710	7,337
Those coming from lost territories (fugitives).....	3,837	274	4,111
Those coming from abroad.....	250	18	268

TABLE X—PUBLIC FUNDS USED FOR LAND SETTLEMENT PURPOSES (1924-1929)

	Millions of Reichsmarks
Intermediary credits	
Of the Federal Government.....	195.5
Of Prussia.....	103.5
Of the Rentenbank credit institutions.....	10.0
House interest tax loan in Prussia.....	77.5
Reorganization credits for fugitive settlers.....	70.0
Settlement credits for ex-service men, building loans for non-Prussian lands, and other means.....	13.5
Total.....	470.0*

* This represents an average of 78 million marks for six years, and in round numbers, 100 million marks for 1929. The same sum is available for 1930.

STATUS AND FUTURE OF GERMAN LAND SETTLEMENT ACTIVITY

The statistics in the preceding division show that land settlement activity in Western and Southern Germany has developed considerably, as com-

pared with prewar years, but that the German East, "the land of large estates," has remained, now, as then, the chief settlement area. In spite of extraordinary difficulties due to fantastic depreciation of money during the first half of the decade, and to

the continuous deficiency in public finances during the second half, German settlement activity, by creating in round numbers fifty thousand new independent farms (twelve thousand new settlements and thirty-eight thousand enlargements of small farms), has attained a scope which numerically lags behind the results of land settlement in eastern neighboring countries, but which nevertheless represents a noteworthy achievement, in view of German reparation burdens and capital scarcity. Postwar land settlement, as shown in Tables VII and VIII of the preceding division, compares favorably with the settlement activity of prewar years. In spite of all obstacles and privations, it has accomplished manifold results.

Present-day settlement is distinguished from prewar settlement primarily by the fact that adjoining land settlement until very recently predominated, and that new settlement was carried out almost exclusively with the aid of public credits and could not be carried out otherwise. The interest rate for private capital in Germany even today is so high that it precludes the marketing of low-priced interest-bearing bonds at reasonable figures. Prussian Renten banks were ruined by inflation and dissolved, but the newly established Prussian Renten bank has recently begun again to issue income bonds for purposes of settlement. Their marketability has thus far been limited. The Prussian State, furthermore, has to pay a high interest subsidy, (the interest rate is usually eight per cent), since a burden of more than five per cent on the settler is properly viewed as unbearable. The Federal intermediary credits will be distributed and funded for separate land settlements as long as a permanent credit cannot be obtained with the aid of private capital. Consequently, new

intermediary credits must continually be provided.

For fifteen-hectare farms, which represent the most frequent size of farm settlements, the cost per farm today is between thirty and thirty-six thousand marks, of which less than half is for land and the major portion for the erection of new buildings. In round numbers, we figure on one fifth of the cost as down payment by the settler, another fifth by special building loans (in Prussia the house interest tax loans, which at present yield only one per cent interest), while three fifths of the costs are leased, as before the war.

Compared with prewar times, the prices of farms are not high; but in view of the low commodity prices, which according to the purchasing power of the new Reichsmark are only slightly over half the prewar level, prices of farms might be still lower if building costs had not gone up considerably.

The economic condition of the new settlements, as shown in a special investigation at the beginning of 1929, was satisfactory on the whole.⁵ Economic bankruptcies (foreclosures) have occurred in exceptional cases only. There is, to be sure, a very active farm real estate market, but its cause is to be discovered primarily in the effort to dispose of small units and to obtain larger units in exchange. The difficult economic position of the fugitive settlers has been overcome very largely by a special act of coöperation of the Federal Government. The indebtedness of new settlers, to be sure, is a large capital sum, but the burdens are, on the whole, bearable. The possibilities for settlers to obtain private credit are limited on account of their rental burdens, but this reacts in favor of the settlers, in view of the general

⁵ Compare "Rural Land Settlement," *op. cit.*, part 3, paragraph 1.

overestimate of the profitability of credit.

DIFFICULTIES TO BE MET

The continuation of German land settlement activity, at least as extensive as in the last two years, 1928 and 1929, is not without elements of danger. On the one hand, there are indications to the effect that the necessary number of prospective settlers having eight thousand marks and more of their own capital funds will, in the long run, not be forthcoming. The generally difficult economic conditions, and particularly the need of German agriculture, make the saving of capital on the part of small and medium farmers, as well as of farm laborers, constituting the chief contingent of settlers, ever more difficult. Therefore, there will have to be an effort to reduce the costs of land settlement, particularly building costs, and this is already occurring successfully.

This reduction can be achieved by decreasing the size of buildings, particularly of dwellings, and by a very much simpler although substantial equipment of farm buildings. Particularly, the farm buildings acquired at the time of purchase must be utilized to their utmost limit, by building dwellings into barns and stables. In this connection, a large share of the construction work should be left to the settlers themselves. The actual housing of the settlers must take place as quickly as possible after the acquisition of farms, in order to reduce costly intermediary activities as far as possible. As a result of the "farm enlargement" (*Ausbausiedlung*), from eight to ten thousand marks in costs can be saved for the average farm settlement, according to the calculations of the author on the basis of land settlement practice. In consequence, the initial payment requirements may

be reduced to less than half of the present, namely, to from three to four thousand marks. In addition, the more primitive settlement also requires less public credit.

On the other hand, land settlement in Germany rises and falls with the further granting of public credits. To date, the farm settlement has required a house interest tax loan of five thousand Reichsmark in round numbers and a rental credit for the remainder of the purchase price of twenty thousand marks in round numbers, and smaller dependent farms require correspondingly less. More than five thousand new land settlements can be established with an annual state credit of one hundred million marks, unless the prevailing method of settlement is fundamentally changed. Whether this sum can be made available for settlement work in the future, considering the enormous burden of the German State budget to make reparation payments, as well as the burden on German industries because of rapidly increasing indebtedness to foreign countries, is uncertain.

HEAVY DEMANDS UPON SMALL FARMERS

Everything, however, will have to be tried in order to provide means to keep land settlement going, for from year to year it will have increasing importance and greater problems in Germany. Hundreds and thousands of agricultural estates and large farms, particularly in the eastern part of Germany, are confronted with economic collapse. In view of the world economic conditions of agriculture, the scarcity of capital, high interest rates, and burden of taxation in Germany, it appears as though large areas of German soil can be preserved for economic utilization only through the most arduous labors of small

farmers, whose demands are such that they will develop the utmost thrift in their habits of living. The placing of German lands in their hands becomes a vital necessity for the German people, and therefore an unevadable problem of German land settlement. In consequence, the same development will of necessity take place in Germany as in Eastern Europe, that is, the transference of the larger portion of agricultural estates into the hands of small farmers.⁶ The contour of German agricultural organization will in consequence be fundamentally changed. Centuries-old conditions will be abolished. The development will have many painful consequences, even though it takes place, as in Germany, in accordance with the ordinary forms of private and public justice. It will uproot a class of occupational agriculturists who had been the pioneers and the promoters of German agriculture.

INTENSIVE FARMING NECESSARY

In addition to this rural land settlement, a more extensive and larger problem of land settlement is developing for Germany. It may be summarized briefly as follows: highest possible utilization of remaining German territory by means of intensive cultivation, creation of small truck

⁶ Compare "Rural Land Settlement," *op. cit.*, p. 12.

farms, and other intensive small-scale agriculture. The beginning of this development can likewise be observed, although it has not yet been stabilized. When once carried out, there will appear certain contrasts with the progress in agriculture in other countries. Thus, for example, tractors and harvesters, for purposes of saving human labor power, will not appear in the foreground as in the western part of the United States, in Argentina, and in Australia. German small-scale agriculture of the future will have to employ human labor most intensively for purposes of production, since Germany has an excess of human beings. But this is also possible to achieve in the modern and progressive sense. Instead of motor-drawn multiple plows, there will appear the harrow and the motor-driven hoe (yet to be discovered). The endeavor to obtain, as in recent years, fertile soil, correct nitrogenous substances of the soil, seed selection, plant and animal breeding, and so forth, has always been of greater significance than mechanization of labor processes for agricultural technique. The creation of small, intensive agricultural units will have to take place along these lines in the future. But all this will develop, of necessity, not only for new land settlements, but also for the many hundred thousand existing small farms in all parts of Germany.

Polish Agricultural Land Organization Since the World War

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POLAND is one of the largest agricultural countries of Europe. If we take as basis for comparison the area of arable land, Poland ranks fourth, following Russia, France, and Germany.

The total area of the Polish State amounts to about 37.7 million hectares, of which 48.6 per cent is agricultural land, 10.2 per cent meadows, 6.7 per cent pastures, 24.1 per cent forests, and 10.4 per cent other kinds of soil (gardens, land under buildings, roads, and waste land).

PHYSIOGRAPHY OF POLAND

From the point of view of natural science, this large agricultural country shows a distinct physiographical uniformity.

Poland's climate does not differ greatly from the climate of Central Europe. It forms an intermediate stage between the sea and the continental climate, while the characteristics of the continental climate are heightened towards the southeast. As regards temperature, the 7°-8° C. isothermal line is typical for Poland (for Germany, 8° C.; for Russia in the same geographical latitude, 7°). Regarding the quantity of moisture, Poland is composed of two distinct parts—the northern, covering the main part of the country, with moisture of 450-650 mm.; and the southern, with moisture exceeding 650 mm., and reaching 1,200 mm. in the mountains.

Land in Poland, with a few exceptions, shows a substantial uniformity because it is of glacial origin. On the

other hand, from the economic point of view, there is a great variety of types of land. All kinds of land are found all over Poland. In the larger, northern part of the country are podsol and humus sand and sand with "black earth" in the form of islands, heavy clays and muds, and marshes. In the central zone, "löss" is the predominant type, which to the southeast takes the form of "black earth" proper. Islands of chalk earth and sands are also to be found here. The southern mountains and the lower-mountain zone comprise chiefly Carpathian compositions—clays, loams, and redzina. The fertility of Polish land is medium and the land is of the rye-potato kind. Most of the land of the northern and southern zones belongs to this class. On the other hand, all of the "löss" and "black earth" zone, some types of clay, mud, and redzina, are of the wheat-beet-root type.

There are large stretches of land considered as waste land which, after drainage, can be transformed into productive soil. To this class belong marshy meadows, swamps, and particularly turflands. They cover an area of about three million hectares.

The area which should be reclaimed extends over about 18.5 million hectares. So far, about 1.2 million hectares have been reclaimed. A comparison of these figures shows that it will take a long time and large capital investment to bring all Polish land under cultivation to enable its intensive exploitation.

Judging from the review of natural factors, it would appear that Polish agriculture possesses a rather uniform character. As a matter of fact, this is not so. Traveling from west to east, we pass from intensively exploited agricultural properties, possessing distinctly capitalistic features, to properties of less productive activity and approaching the primitive type.

The reasons for the difference are to be found partially in the disparity in the psychology of the population living in the west and in the east of the country, but primarily in the long years of slavery of the country, in the different cultural, economic, and social standards of the three partitioning powers, and in their different policy with regard to Poland. Prior to the war, the highest development of Polish agriculture was attained in the western palatinates, and the lowest, in the east of the country. Central and southern provinces formed an intermediate stage.

The World War, by creating a political unit out of three parts of "Poland" of various agricultural production standards, formed a basis for specific conditions of development in each. There is no doubt that after the war these conditions were made somewhat worse in the west of Poland, whereas in the remaining provinces, especially in the central and eastern palatinates, they became favorable to the intensification of agriculture. As a result of this situation, a tendency developed to equalize the important differences existing between the agriculture of the western palatinates and of the remaining territory of Poland.

ECONOMIC DEVELOPMENT

The development of independent Poland's economic life up to 1924 took place under the predominant influence of inflation. For a certain transitory period, this created favorable condi-

tions for agriculture, but in the long run, it resulted in the disorganization of agricultural units. During the inflation period, agricultural classes enjoyed great facility in paying their taxes and their debts, and could with no great effort reconstruct their households. On the other hand, this led to a certain lack of a proper economic program and prevented putting through some large capital works which demanded a longer period of time, considerable funds, and proper business calculation. Finally, it destroyed the long-term, and subsequently the short-term, credits so badly needed by agriculture.

Stabilization was attained in 1924, thanks to the putting into effect of a heavy taxation program which chiefly involved agriculture. In view of the minimum cash reserves and a lack of savings, the agricultural classes were deprived of working capital. Thus, in the year 1924-1925, there was a heavy agricultural crisis and, although the succeeding years have brought a certain improvement, they have not removed the evil cause—the continuous burdening of agricultural units with short-term expensive credits.

Among economic and social factors having a decisive influence on the status and the development tendencies of Polish agriculture, population, in regard to its number, its psychology, and its professional classification, must be considered first.

As compared with Western European countries, the density of population in Poland is not great—probably about 79 inhabitants per square kilometer, as against 134.2 in Germany, 102.3 in Czechoslovakia, and 80.4 in Denmark,—whereas great differences exist among the various provinces of the country—265.9 inhabitants per square kilometer in Silesia, 94.6 in southern palatinates, 84.4 in central

palatinates, 67.7 in western palatinates, and 33.2 in eastern palatinates.

POPULATION STRUCTURE

With regard to population structure in Poland, the professional classes are poorly represented. The percentage of agricultural population amounts to 64.2 per cent, as against 23 per cent in Germany, 39.1 per cent in Czechoslovakia, and 31.8 per cent in Denmark. It is interesting to note that in the less densely populated parts of the country, the percentage of agricultural population is the highest. First rank is occupied by the eastern palatinates—84.1 per cent. Then follow the southern palatinates, 72.6 per cent, the central palatinates, 59.7 per cent, the western palatinates, 57.7 per cent, and Silesia, 16.1 per cent.

Thus in Poland, with a comparatively low density of population, an overpopulation is to be observed in the rural areas; that is, an excessive number of people per square kilometer are living on agriculture.

There is an abundance of farm labor in Poland. A significant question arises as to the psychology of Polish agriculturists. Not their numbers, but primarily their qualities have a decisive influence on their efforts—on the greater or less material success of their activities.

So far as the majority of the peasants are concerned, a type prevails to whom the capitalistic methods of agriculture are rather strange. This type is unfamiliar with the requirements which would connect him with the world's market. His object is first of all to feed himself and his family and, therefore, he does not sufficiently appreciate the value of his work. This type is predominant in the east of the country and becomes more scarce as we move towards the west.

In spite of low standards of social

and economic development, resulting from a generally low educational level, the Polish agriculturist possesses all the characteristics enabling him to become an excellent farmer in the broad meaning of the word, because he is strongly attached to the land and to his profession, and he is persistent and intelligent.

Means of transportation in Poland lack uniformity. They are most favorably developed in the west and less so in the east. The length of railway lines per hundred square kilometers runs from 9.2 to 16.4 kilometers in the western palatinates, from 2.8 to 3.7 kilometers in the central palatinates, from 4.2 to 6.5 kilometers in the southern palatinates, and from 2.1 to 2.9 kilometers in the eastern palatinates. The length of highways per hundred square kilometers for the above mentioned palatinates is as follows: from 22.6 to 52 kilometers, from 5.7 to 13.8 kilometers, from 17.1 to 30.8 kilometers, and from 1.3 to 2.9 kilometers, respective.

AGRICULTURAL STRUCTURE

The agricultural structure also shows great variety. According to the census of 1921 (comprising the whole Polish territory with the exception of Upper Silesia and part of the Wilno Palatinate), in an area of 30,340,669 hectares there were 3,261,090 agricultural units, of which 34 per cent contained an area under two hectares, 30.7 per cent from two to five hectares, 32.1 per cent from five to twenty hectares, 2.7 per cent from twenty to a hundred hectares, and 0.6 per cent exceeding one hundred hectares. This classification does not convey a correct idea of the creative power of agricultural units, because of substantial differences between the intensity of cultivation and the productiveness of agricultural units varying in size.

According to the 1921 census, small properties, under fifty hectares, covered about 52.9 per cent of the total area. They covered over 70 per cent of arable land, and 9 per cent of the forests. If we add to this area properties from fifty to one hundred hectares, the respective percentages were as follows: 55.4 per cent, 73 per cent, and 10 per cent. Since that time the distribution of large estates has made important progress and therefore the number of small properties has increased.

The greatest drawbacks to Poland's agricultural structure may be stated as follows: (1) an exceedingly large number of tiny farms, not self-supporting, which nevertheless afforded subsistence for peasant families; (2) the common custom, except in the western part of the country, of dividing farms among successors; (3) many farms not composed of adjacent land units; (4) obligations in kind of large landowners towards farmers; (5) common lands.

In consequence of the first two drawbacks, the excess of small landholders tends to increase the number of weak units, incapable of progress.

The fact that small farms are not composed of one land unit is a great handicap, impeding their economic development. There are 46.8 per cent of small properties under fifty hectares suffering from this evil. Of these, 16.6 per cent are in western palatinates, 47.1 per cent in central palatinates, 47.1 per cent in southern palatinates, and 60 per cent in eastern palatinates. The degree of this deficiency depends primarily on the number of sections, chiefly arable land, into which the property is divided. This situation grows worse towards the east, and in the southern palatinates it also leaves much to be desired.

Obligations in kind of one property owner to another, chiefly large land-

owners to farmers, are still in existence in the central and eastern palatinates, though they have been abolished in the southern and the western palatinates. In the central palatinates, the Russian Government granted the rights to 350,000 farms on eight thousand estates. They were pasture obligations, on waste land, stubble fields, meadows, and pastures commonly used by the large landowner; forest obligations—rights of the farmers to obtain firewood and timber for building purposes from the landlord's forest, to gather leaves, and so forth; and fishery obligations. In the eastern palatinates, the obligations were called into being by the Russian Government almost exclusively for political reasons, in order to create and to maintain an animosity between the large landowners and the farmers. These are chiefly pasture obligations of a very extensive character as well as forest and fuel obligations, and so forth. They were granted to about 140,000 farm properties.

SECTIONAL CHARACTERISTICS

In the western palatinates, Poznań and Pomerania, the percentage of medium size properties above one hundred hectares is 1.3 per cent and 1.5 per cent respectively; and of smaller farm properties, from twenty to one hundred hectares, 8.3 per cent and 12 per cent respectively. This does not obtain in other parts of the country. Over fifty per cent of the small farms are under five hectares, but a considerable number below two hectares consist of allotments, gardens, and suburban sites, which cannot be considered as a drawback to the agrarian structure. The properties are composed of one unit of land; obligations do not exist. Due to the fact that agricultural properties are in strong hands, farm labor is abundant.

The most typical Polish farm struc-

ture is to be found in the central palatinates—Warsaw, Łódź, Kielce, Lublin, and Białystok. The percentage of the area belonging to larger sized properties is about the average of the whole country—31.5 per cent. The number of properties under five hectares is 50 per cent; from five to twenty hectares, somewhat under 45 per cent.

In the eastern palatinates there is a larger number of medium-sized properties than in any other part of Poland, and also a greater number of large farm properties and fewer tiny farms under five hectares. But owing to a much lower intensity of production, it is difficult to compare their agricultural structure with that of the other parts of the country. It must be observed that in eastern Poland, the self-supporting capacity is much lower than anywhere else. Existing obligations and the fact that properties do not consist of one solid area, make conditions difficult.

In the southern palatinates, the agricultural structure is worst. The number of tiny farms, under two hectares, amounts to about fifty-five to sixty-eight percent. The number of farms up to five hectares, the limit of self-supporting capacity, amounts to eighty to ninety per cent, farms from five to twenty hectares, only twelve per cent, and farms from twenty to one hundred hectares, scarcely one half of one per cent. The properties do not consist of one unit tract.

In Upper Silesia there is a peculiar structure. There are a good many immense estates, a few medium sized properties, and numerous farms below five and even below two hectares. Many of the latter consist of allotments about industrial and mining centers.

FARM EMPLOYMENT CONDITIONS

As compared with the prewar period, the relations with workers have undergone considerable changes, chiefly in

the central and eastern palatinates. The hiring of farm hands takes place in the form of collective agreements, which prior to the war was the common practice in the central as well as in the eastern and the southern palatinates. So called "social allowances," i.e., charges for health and accident insurance, provisions for invalids, and old age pensions have contributed to a considerable extent to the increase in labor costs. At present, all four classes of insurance are compulsory in western palatinates. In southern palatinates, only the two last named types are found, where as the last type prevails in the central and eastern palatinates. The lack of the first two classes of insurance is counterbalanced by the payment of the cost of medical assistance to workers and their families and by granting funeral expenses to the family in case of the worker's death. But these expenses embarrass the employer to a much smaller degree than would contributions to insurance institutions.

A type most common, especially on large estates, is that of workers engaged for one year and receiving their remuneration chiefly in kind. Somewhat akin to this type are workers owning their own houses or even tiny farms. They enter into a contract for the whole year, except for a few days indispensable for the working of their own farms. There are also permanent workers who are fed by the employer. Besides permanent workers, the owners of large estates employ seasonal and irregular workers.

Credit conditions, as already explained, are very unfavorable. The agricultural classes still suffer from lack of liquid funds for the purchase of artificial fertilizers, seed, fodder, and so forth. The crisis, which was caused by a considerable fall in grain prices and lasted practically one year, has in-

creased the difficulties which the agricultural classes have had to overcome. The only credit source, inadequate, of course, is the state. Private loans are exceedingly expensive, the rate of interest ranging from one and a half to two per cent monthly.

GOVERNMENT ASSISTANCE

Attention has been called to the deficiencies in Polish agricultural structure. Therefore, one of the first tasks of the Government of independent Poland was to attempt a reconstruction of agriculture. The first law of agrarian reform was that of July 15, 1920. This law was intended to break up the larger estates, fixing areas varying from three hundred hectares down to sixty hectares as the maximum for landed properties.

To carry out the reforms provided by this law, the Ministry for Agrarian Reform was established in 1923, and a new law passed on December 22, 1925, placed the whole question on a sounder basis. There are provisions in this law reducing larger highly productive estates to a total area of 550,000 hectares, identifying the dismemberment of large estates with the establishment of sound basis for formerly dependent agricultural units by making possible the unification of separate parcels of land and by liquidating existing obligations.

The customs policy of the Government until recently gave but a very

moderate protection for agriculture. Its purpose was primarily to keep down the costs of living to as low a level as possible. Thus, the interests of the consumers clashed with the interests of the agricultural classes, and the former were distinctly favored. Pursuing this policy, embargoes on grain exports or export duties were introduced several times. This policy continued to 1929.

In the course of time, the conviction grew among Government officials that agricultural production, and particularly grain production, needed some protection. An expression of this view was found in the introduction of import duties on rye in the autumn of 1928. During 1929, import duties were also imposed on wheat, barley, and oats, primarily to counteract the unloading of German imports.

The Government, wishing to avert excessive fluctuations in grain prices, both to producers and to consumers, began two years ago to purchase grain and to store it in grain elevators and granaries. The purchases effected in the autumn were made with a view to counteract excessive declines in grain prices when the market was flooded, and the Government hoped also by the intervention policy to counteract increases in prices in the spring. However, this intervention occurred simultaneously with the crisis in world grain prices, and the expected benefits did not materialize.

Book Department

REVIEWS:

BEARD, CHARLES A. (Ed.). <i>Toward Civilization.</i> F. H. Hankins	307
BENNS, F. LEE. <i>Europe Since 1914.</i> Harry Elmer Barnes	298
BIRD, FREDERICK L., and RYAN, FRANCES M. <i>Public Ownership on Trial: A Study of Municipal Light and Power in California.</i> C. A. Dykstra	306
BIRD, FREDERICK L., and RYAN, FRANCES M. <i>The Recall of Public Officers: A Study of the Operation of the Recall in California.</i> Thomas S. Barclay	305
BLAISDELL, DONALD C. <i>European Financial Control in the Ottoman Empire. A Study of the Establishment, Activities and Significance of the Administration of the Ottoman Public Debt.</i> E. M. Patterson	295
BRON, SAUL G. <i>Soviet Economic Development and American Business.</i> Karl Scholz	303
BUKHARIN, NIKOLAI. <i>Imperialism and World Economy.</i> Harry W. Laidler ..	301
BUNNELL, S. H. <i>Industrials: Their Securities and Organization.</i> G. Wright Hoffman	312
CHILDS, HARWOOD LAWRENCE. <i>Labor and Capital in National Politics.</i> Harold D. Lasswell	307
DAVIS, JOSEPH S. <i>The Farm Export Debenture Plan.</i> Marvin A. Schaars ..	309
DONALDSON, JOHN. <i>International Economic Relations: A Treatise on World Economy and World Politics.</i> E. M. Patterson	295
FOSTER, MAJOR B., PATTERSON, STEWART E. L. <i>Banking.</i> F. Cyril James ...	313
FRANKFURTER, FELIX, and GREENE, NATHAN. <i>The Labor Injunction.</i> F. S. Deibler	310
HACKETT, J. D. <i>Labor Management.</i> R. W. Johnson	311
HAIG, ROBERT MURRAY. <i>The Public Finances of Post-War France.</i> E. M. Patterson	295
HAVEMEYER, LOOMIS. <i>Ethnography.</i> Margaret Mead	314
HAYES, CARLTON J. H. <i>France: A Nation of Patriots.</i> F. Lee Benns	297
JOHNSON, ALBERT A., Compiler. <i>The Soviet Union at Work: Past, Present, Future.</i> Karl Scholz	303
KALTENBORN, H. V. <i>We Look at the World.</i> W. W. McLaren	302
KAVANAUGH, MARCUS. <i>The Criminal and His Allies.</i> Edwin O. Lewis	315
KESTER, ROY B. <i>Accounting—Theory and Practice.</i> J. Lockwood	312
KETELBEY, D. M. <i>A History of Modern Times from 1789 to the Present Day.</i> O. J. Hale	299
KING, WILLFORD I. <i>The National Income and Its Purchasing Power.</i> W. C. Schluter	308
KRAFT, CARL, and STARKWEATHER, LOUIS P. <i>Analysis of Industrial Securities.</i> W. C. Schluter	312
LANDAU, ROM. <i>Pilsudski and Poland.</i> Douglas L. Hunt	317
MACDONALD, AUSTIN F. <i>American City Government and Administration.</i> Roger H. Wells	305
MAZUR, PAUL M. <i>America Looks Abroad: The New Economic Horizons.</i> Amos E. Taylor	302
MCCULLOCH, ALBERT J. <i>Suffrage and Its Problems.</i> Gertrude Ely	304
MEARS, ELIOT GRINNELL. <i>Greece Today: The Aftermath of the Refugee Impact.</i> Frank E. Williams	303
NYSTROM, PAUL H. <i>Economics of Consumption.</i> H. LaRue Frain	308

	NYSTROM, PAUL H. <i>Economics of Retailing</i> . J. Russell Doubman.....	308
	OPPENHEIMER, FRANZ. <i>System der Soziologie</i> . Volume IV: <i>Abriss einer Sozial- und Wirtschaftsgeschichte Europas von der Völkerwanderung bis zur Gegenwart</i> . Part 1: <i>Rom und die Germanen</i> . Howard Becker.....	315
	RAPPARD, WILLIAM E. <i>Uniting Europe: The Trend of International Coöperation Since the War</i> . G. Sudermann.....	302
307	ROGERS, JAMES HARVEY. <i>The Process of Inflation in France, 1914-1927</i> .	
298	E. M. Patterson.....	295
	SANDERS, THOMAS H. <i>Industrial Accounting: Control of Industry through Costs</i> . J. Lockwood.....	311
306	SIEGFRIED, ANDRÉ. <i>France: A Study in Nationality</i> . O. J. Hale.....	298
305	STONE, SAMUEL G., and SHELBY, GERTRUDE M. <i>Black Genesis</i> . Melville J. Herskovits.....	313
	STRONG, C. F. <i>Modern Political Constitutions: An Introduction to the Comparative Study of their History and Existing Form</i> . E. P. Chase.....	304
295	STUDENSKY, PAUL. <i>Public Borrowing</i> . Lane W. Lancaster.....	306
303	TÖNNIES, FERDINAND. <i>Soziologische Studien und Kritiken</i> (third series).	
301	Howard Becker.....	316
	TORRIENTE, COSME DE LA. <i>Cuba y los Estados Unidos</i> . J. Fred Rippy	302
312	TOWNSEND, MARY EVELYN. <i>The Rise and Fall of Germany's Colonial Empire, 1884-1918</i> . Harry Elmer Barnes.....	299
307	TOYNBEE, ARNOLD J. (Assisted by V. M. BOULTER). <i>Survey of International Affairs, 1928</i> . E. M. Patterson.....	295
309	VORLÄNDER, KARL. <i>Karl Marx, Sein Leben und Sein Werk</i> . Sherman H. M. Chang.....	313
295	WERNER RADES (Ed.), in association with the Wirtschaftspolitischen Gesellschaft. <i>Berlin in International Economy</i> . Louis Wirth.....	300
313	WOLFE, F. E. <i>Principles of Property Insurance</i> . C. A. Kulp.....	318

TOYNBEE, ARNOLD J. (Assisted by V. M. BOULTER). *Survey of International Affairs, 1928*. Pp. xii, 506. London and New York: Oxford University Press, 1929. \$7.50.

DONALDSON, JOHN. *International Economic Relations: A Treatise on World Economy and World Politics*. Pp. xxx, 674. New York: Longmans, Green and Co., 1928.

HAIG, ROBERT MURRAY. *The Public Finances of Post-War France*. Pp. xxviii, 463. New York: Columbia University Press, 1929. \$5.50.

ROGERS, JAMES HARVEY. *The Process of Inflation in France, 1914-1927*. Pp. xx, 378. New York: Columbia University Press, 1929. \$5.00.

BLAISDELL, DONALD C. *European Financial Control in the Ottoman Empire. A Study of the Establishment, Activities and Significance of the Administration of the Ottoman Public Debt*. Pp. viii, 243. New York: Columbia University Press, 1929. \$3.00.

These five books are grouped because they all deal with the field of international affairs. It is true that two of them—the ones by Professors Haig and Rogers—seem to treat only of French finance, but the nature of modern public finance and of monetary problems is such that in these volumes also, international relations are of great, and at times of controlling, importance. It may be added at once that each of the five is valuable and authoritative in its own field.

Students of world questions now look forward to the annual surveys by Arnold J. Toynbee which have been published each year since the initial volume covering the period 1920-1923 with its specially bound introduction entitled "The World After the Peace Conference." They are distinguished by their scholarship which is both broad and extensive, and by their wealth of exact information for the periods covered. Published under the auspices of the Royal Institute of International Affairs, they furnish a continuous survey since the first

issue and will presumably continue indefinitely even though Professor Toynbee should at some time withdraw from the authorship and the direction of the series.

The *Survey* for 1928 is divided into four parts, entitled "World Affairs," "South-eastern Europe," "The Islamic World," and "China." Five excellent maps are added and this year for the first time there is a supplementary volume containing a collection of the most important international documents dating from the year under review.

A brief reference such as this cannot dwell in any detail on the wealth of material and can only record the feeling that Professor Toynbee's most effective presentation is that of the Near East, with which he is so thoroughly familiar.

One or two general observations may, however, be made of this volume and of its predecessors. Like most studies of the kind, they are political in their emphasis. Economic issues are developed but not as though they are at all fundamental. Such matters as reparations and inter-Allied debts have their place, but largely because of their political significance, and are presented accordingly.

The world issues treated are naturally those of significance to British readers and are not always the ones that would be most valuable to Americans for any given year. Attention to detail and scholarly precision make the volumes invaluable but necessarily cause a delay in publication. Thus, the *Survey* for 1928 does not become available until late in 1929. The annual entitled *American Foreign Relations*, published by the Council on Foreign Relations under the editorial direction of Professor Charles P. Howland, is available more promptly. Each method has its advantages.

Dr. Donaldson's *International Economic Relations* is a pioneer work in a field that is calling for systematic treatment. Most studies of world affairs to date are political in their emphasis. Those that are historical stress political as distinct from economic issues and often too are developed by treating each nation separately instead of by conceiving the task as one of viewing the world as an economic whole. A different

approach is difficult, partly because it means breaking new ground and partly because most of the material available has been collected by governments along national lines and for national purposes.

This attempt is therefore welcome. It has involved the collection and the arrangement of a large amount of data, and their presentation in a clear and orderly manner. There is no special message presented except the one implicit in the material and in the situation itself—that of the economic interdependence of all parts of the world and the obvious necessity for more effective coöperation. Basic factors are presented first and then the structure of national and world economy is analyzed. The last chapter is on world economy and world politics, followed by a general appendix containing notes and references arranged by chapters.

One of the most interesting and valuable of the recent adventures by American scholarship has been the series entitled *Social and Economic Studies of Post-War France* sponsored by the Columbia University Council for Research in the Social Sciences. The studies were begun in the winter of 1925-1926 with the aid of grants made by the Laura Spelman Rockefeller Memorial to the Council. A committee planned the inquiry, the chairman being Professor Carleton J. H. Hayes, who also is editor of the seven volumes in the series now appearing.

The first is Professor Haig's study of French public finance. Those who have had even a glimpse into the difficulties of the subject will sympathize with the author's diffidence as expressed in his preface. It is encouraging to learn that, with the exception of the notorious falsifying of the accounts of the Bank of France in 1925, he has found no evidence of any deliberate misstatement. But confusion and unintentional errors abound. The most glaring seems to have been the overstatement by some seven billion francs of the *Bons de la Défense Nationale* on December 31, 1921. As Professor André Siegfried has elsewhere pointed out, French public accounts are in strong contrast to the care and the precision of the economic life of the French peasant.

The volume before us is divided into three parts—the development of French financial policy since the war, the public debt of France, and, finally, taxation and expenditure. Available documents have been carefully and critically examined and compared and the Parliamentary debates thoroughly analyzed. The treatment is frank but sympathetic. Professor Haig sees clearly the setting within which French officials were compelled to function and does not chide them for failing to accomplish the impossible. One of his most interesting conclusions is expressed just at the end of the volume, after his analysis of public expenditures: "Any confident statement on how much France spent during and after the war—and even how much she is spending today—must be looked at with a cold and suspicious eye. Apparently nobody yet knows, and it seems quite probable that no one ever will know exactly."

Some readers may regret that Professor Haig did not interpret French experience more fully in terms of general finance theory. If so, he will be better satisfied with Professor Rogers' treatment, which from the outset is strongly theoretical. He has not studied the French experience merely to record what happened and when, but with the purpose of checking that experience against monetary theory. His study is statistical and a large fraction of the data has been charted. There are ninety-three tables and sixty-three diagrams scattered through the volume. In its approach it is a valuable illustration of the use of statistical method in the study of monetary phenomena.

Professor Rogers agrees with the now generally accepted view of the relation between governmental budget deficits and inflation. This is the contention that the genesis of inflation lies in the necessity for the government to meet its shortage by borrowing from the central bank. The additional purchasing power thus secured is utilized in the market in competition with the money already in use and prices are driven up. This, of course, makes the position not only of the general public but that of the government harder than ever, and new borrowing becomes necessary. A vicious circular advance of loans, rising

prices, more loans, still higher prices, is set going which is difficult to check. In this movement the relations between loans, price fluctuations, and the variations in exchange rates are of great importance in the formulation of monetary theory and also to the business man and the legislator.

It seems entirely clear from this study and from the other one in the same field by Dr. Eleanor Lansing Dulles—*The French Franc, 1914-1928*—that budgetary deficits were the initial influence in the French inflationary movement, and Professor Rogers points out that "the resulting rise in prices, with all the important consequences of such a rise, will be more than in proportion to the accompanying increase in monetary circulation." Unfortunately, even this warning is not always enough to deter governments from resorting to inflation under the pressure of war and postwar needs and it is not clear how fully an analysis of experience in such abnormal times can be relied upon as a guide under more normal conditions.

Dr. Blaisdell's study of Turkish finances is a welcome record of the difficulties of the Ottoman Empire and of the relations to them of the Western European financiers and governments. In a way, it is a familiar recital of incompetence on the one hand and of the relentless pressure of powerful finance on the other. The tale is softened, however, by the evidence of the real needs of the creditors to salvage the situation by introducing both financial and general economic order.

The story is carried down to 1928 and pictures the situation under the new régime. One of its most valuable contributions is the clear view it gives of the contrast between the closely interdependent world of economics and finance and that same world divided in politics and in national aspirations.

E. M. PATTERSON

University of Pennsylvania

HAYES, CARLTON J. H. *France: A Nation of Patriots*. Pp. x, 487. New York: Columbia University Press, 1930. \$4.50.

Much has been said and written concerning "nationalism" and "patriotism," but few attempts have been made to ex-

amine thoroughly and intensively the means and the methods of inculcating them. This volume, by the author of *Essays on Nationalism*, is an objective study of the agencies by which present-day Frenchmen are rendered "supremely patriotic" and by which French national psychology is "fashioned and fortified;" for French nationalism, we are told, "is an artificial, not a natural creation," depending exclusively neither on physical heredity nor on geographical environment, and conforming neither to canons of biology nor of botany.

Professor Hayes has really given us a general study of the propagation of patriotism, for, although France has been the special subject of investigation, he assures us that "whatever may appear . . . as evidence perhaps of a menacing nationalism in France can be matched by equally incriminating evidence in the case of the United States, or of Germany or of Italy."

Eight chapters of the book are devoted to an examination of the patriotic rôle of the government and the bureaucracy, the schools and universities, the military system, the churches, the press, the radio, and the cinema, patriotic societies, and national symbols and ceremonies. Of them all, the author concludes, the "schools constitute the most pervasive and ubiquitous means of forming a truly French national psychology." Nevertheless, the steady inculcation of national patriotism does not make Frenchmen exactly alike, and two chapters on "regionalism" and "internationalism" help to explain why. For students of post-war Europe, perhaps the most valuable chapter is that discussing the French attempt to assimilate the returned provinces of Alsace and Lorraine. More than a fourth of the book consists of appendices containing digests of typical school textbooks, characterizations of French periodicals and newspapers, and other related material. The volume is well written, carefully documented, and should be of considerable value to political scientists, historians, and prospective visitors to France.

F. LEE BENNS

Indiana University

SIEGFRIED, ANDRÉ. *France: A Study in Nationality*. Pp. vi, 122. New Haven: Yale University Press, 1930. \$2.00.

In this small volume by the author of *America Comes of Age*, the perplexing permutations and combinations of French politics are explained and interpreted in the light of historical forces and national character. Originally delivered at the Williamstown Institute of Politics, these published lectures throw a flood of dry light on French character, psychology of French politics, political parties and foreign affairs, and the group system in the Chamber—closing with a comparison of French and Anglo-Saxon democracy. Professor Siegfried points out that political parties in France result from two great lines of cleavage: first, acceptance or rejection of the French Revolution, with all the principles and changes which that implies; second, acceptance or rejection of modern capitalistic production with its emphasis on coöperation and discipline as opposed to individualism and liberty. France, the author maintains, is the last stronghold of individualism; and with the future of individualism is linked the future of France. "If the individual is to perish in the effort for collective production, France also will perish. But if it is written that the individual will reappear triumphant, France also will rise eternal."

O. J. HALE

University of Virginia

BENNS, F. LEE. *Europe Since 1914*. Pp. xii, 671. New York: F. S. Crofts and Company, 1930. \$5.00.

The time was when it was believed that the events within the lifetime of a writer could not be regarded as real history. Many a distinguished professor of history brought his course on modern European history to an abrupt close with the Franco-Prussian War of 1870-1871. Here we have a book of nearly seven hundred pages devoted to the period since the outbreak of the World War. The change of attitude herein implied is to be welcomed. For insight into present-day problems, the events of the last sixteen years are more significant than are the developments between 1815 and 1870.

Professor Bennis' book is especially welcome in that we have no good and thorough manual on the tremendous changes which have taken place in Europe since the stirring days of July, 1914. It will be remarkably useful to student and teacher alike. After a brief but competent chapter on the immediate causes of the World War, about a hundred pages are devoted to the military and diplomatic events of 1914 to 1918. The remainder of the book is a well-proportioned treatment of the reconstruction of Europe from the ashes of war and of the new political and diplomatic systems which have sprung up. The book is essentially political and diplomatic history, but much material is included on social and economic developments.

The author writes with commendable objectivity. The chapter on the outbreak of the World War is decidedly revisionist, though there is a little hesitancy about going the whole way. The Russian order of general mobilization on July 29th, which was countermanded at the last moment, appears as a partial mobilization against Austria-Hungary. There is no clear indication that the Belgian issue was merely a propaganda subterfuge for Great Britain and had nothing to do with the British decision to enter the war. The excellent chapter on reparations does not come to grips with the crucial question of why Germany should be paying any reparations, in the light of what we now know about war guilt. France's struggle for European hegemony and military domination is dealt with as her "search for security." But, by and large, the book is singularly free from wartime prejudices. This particular professor has not "stood pat" on the "story for babes" of 1917-1918. Nor does he tremble when contemplating the socioeconomic system of Soviet Russia. He has done a good job on an important piece of work, and historians should be grateful for his patient labors and his sane appraisal of the birth of the New Europe.

HARRY ELMER BARNES

New York City

KETELBEY, D. M. *A History of Modern Times from 1789 to the Present Day.* Pp.

623. New York: Thomas Y. Crowell Company, 1929. \$3.75.

A marked tendency exists at the present time among historians to treat European history in modern times as a phase of world history. This volume shows the influence of that conception, for three of the twelve chapters are allotted respectively to "The Expansion of Europe," "The Far East," and "The United States." On the other hand, the cause of world history is served only by the juxtaposition of narratives and not by special attention to the interrelation and the interdependence of events.

In dealing with the development of Europe, the author does not stray from the traditional paths of political narration. Bismarckian maneuvers in the Schleswig-Holstein question are accorded equal space with the industrial revolution and its social results.

Within these limits, the book has much to commend it to the general reader as well as to the college student, for whose use it was obviously designed. The difficult task of selection and condensation has been performed with great skill and resourcefulness, and without omission of important facts. Forty well-chosen maps and charts illustrate the text. The story, which moves at a lively pace, is interspersed with vivid sketches in miniature of the *dramatis personae*—Napoleon, Metternich, Alexander I. Bismarck, and Lincoln. Felicitous quotations brighten each page, while the author himself shows a happy faculty for turning neat epigrams; for example, "Fascism began as an instinct, and only later developed a philosophy." Indeed, the volume shows, as the author hopes it will, that "the reading of history" is not "wholly divorced from the writing of English."

O. J. HALE

University of Virginia

TOWNSEND, MARY EVELYN. *The Rise and Fall of Germany's Colonial Empire, 1884-1918.* Pp. xviii, 424. New York: The Macmillan Company, 1930. \$5.00.

Miss Townsend will be remembered as the author of an excellent monograph on the development of the German colonial empire. It was not only a scholarly treatment of a subject neglected in studies in the

English language but also made a valuable contribution in the way of reconstructing our view of Bismarck's attitude towards German imperialism. The Iron Chancellor had been interpreted by most writers as an anti-imperialist, but Miss Townsend proved him to be an ardent, if discriminating, apostle of colonialism.

Miss Townsend has made use of the material she assembled in this earlier volume and has added to it a very thorough account of German colonial policy and administration and of the loss of the German colonies at the close of the World War. The result is a well-rounded picture of the colonial experience of the German Empire which will be of great convenience for the scholar and the general reader alike. It will be of special utility to those interested in appraising the methods and the results of modern imperialism.

Miss Townsend writes with sanity and objectivity. She shares Professor Hayes' skeptical attitude towards nationalism and imperialism, but this does not preclude fairness in telling the story. She is duly appreciative of the excellencies of the German system of colonial administration in its developed form, but this does not prevent her from making plain the mistakes and the weaknesses of the experimental period. In general, she is free from the wartime attitude towards German *Weltpolitik* and does not retail the Entente Epic. But there are a few slips. For example, we have reference on page 305 to "the ruthless *Weltpolitik* which dominated Germany's Foreign Office during the 'storm and stress' period of her colonial history," and to "the Kaiser's reckless pursuit of world power, during the decade roughly defined by the years 1895-1905." This is in the tempo of the Cheradame legends, but on the whole, such views do not mar the work, and it may be commended heartily as a fine example of reliable research and lucid exposition.

HARRY ELMER BARNES

New York City

WERNER RADES (Ed.), in association with the Wirtschaftspolitischen Gesellschaft. *Berlin in International Economy*. Pp. 159. Berlin: Richard Labisch & Co., 1929.

This curious volume, consisting of the original articles in German and the rather misleading translations in English, at the same time contains much material of great scientific interest intermingled with pages of portraits of business men and politicians and the type of literature which in America we have come to expect of enthusiastic city-booster's club secretaries. It will suffice, in this note, merely to mention those items which are of value to the scientific student of city life.

Berlin, not unlike Chicago, is an inland metropolis, an immigrant city, and a gateway city between an East and a West. The growth of Berlin into a world city is not unlike that of Chicago. In addition, however, Berlin is the capital city of the German Reich, and owes a great share of its importance and phenomenal growth to this fact. From a population in the sixties of 400,000 it has grown into the four million class. Unlike Paris, Berlin lost its function as a fortified town early in its history and grew rapidly by adding one peripheral district after another—a fact which accounts for the incorporation of independent settlements with large parks and open squares which reach into the very heart of the city.

Since the close of the war, because of lack of building and new waves of migrants that came from all over Germany and Europe, Berlin has been suffering from a housing crisis. With the resumption of building activities, the old part of the city is gradually emptying its population into the outlying residential districts. The city proper, i.e., the centre, is coming more and more to resemble the typical concentration of "*Hochhäuser*" or skyscrapers of the American city. This is no longer regarded as a fad, but as a vital necessity. Similarly, the widening and the cutting through of traffic arteries is being resorted to, in order to facilitate communication.

The Berlin of today is, from the point of view of area, the largest city in the world. Its industries have progressively been displaced from the center of the city to the outskirts, so that today the city is surrounded by a number of large industrial satellites with their respective colonies of workers. Besides these, there are now

large residential suburbs which extend over a radius of thirty kilometers, beyond Potsdam in the west and southwest. Rapid transportation has welded this region into a unit, with administrative control keeping pace. The zoning regulations adopted in 1925 permit the owners of building-plots to build on only from one tenth to one fifth of their area, thus assuring large green spaces and more wholesome housing than has hitherto been available. The city has been expending large sums to stimulate private and coöperative building.

The merit of the papers in this volume is very uneven. There are a number of instances of statements in some papers that are contradicted in others. Nevertheless, the volume is helpful to the student because it suggests a number of points which aid in orienting oneself with reference to the bewildering mass of material that exists on the subject. For authentic facts, however, it is necessary to rely on sources other than those which have been collected in this volume.

LOUIS WIRTH

Social Science Research Council Fellow,
Berlin, Germany

BUKHARIN, NIKOLAI. *Imperialism and World Economy*. Pp. 173. New York: International Publishers, 1929. \$2.00.

In 1915, in the midst of the World War, Nikolai Bukharin, regarded, following the death of Lenin, as the leading Bolshevik theoretician, but at present suffering under the displeasure of the Stalinists, wrote a vigorous and stimulating analysis of tendencies toward imperialism in modern world economy. His thesis was shipped to Russia, censored, lost, found, and finally published, and this year appears for the first time in the English language.

Bukharin sketches the rise of trusts and combines in the leading industrial nations of the world and the fight on the part of these combinations for trade areas, for raw material, and for investment privileges abroad. This scramble for markets and investment areas tends, on the one hand, to make the capitalist class internationalistic in its point of view, and, on the other hand, aggressively nationalistic. Capitalists

who have invested in foreign corporations, who have loaned money to foreign governments and enterprises, and who have established factories abroad, are inclined to favor peaceful solutions of international difficulties, and these activities tend somewhat toward a peaceful international evolution. Side by side with this development, however, we see the growth of a nationalistic capitalism fighting for high tariffs, for huge armaments, and for financial and military dictatorship over undeveloped regions. This attitude leads to armed conflict and, according to the author, is more powerful in its effect than is the internationalistic attitude.

Thus, wars become inevitable and will take place, according to Bukharin and Lenin, until the workers revolt and transform capitalism into its opposite.

Bukharin's book was written during the horrors of the World War, and few then could envisage differences settled in any other way than through force. Since 1915, the world has learned the lessen of the destructive effect of war on both victor and vanquished. International political organizations have evolved and international economic organizations have begun to make their appearance, while the control of numerous governments has become more democratic than before 1914. Further, dozens of important raw materials, which Bukharin predicted were becoming increasingly more expensive and more sought after by industrialized nations, are now desperately seeking a market.

And yet, the nations are still clamoring for higher tariff walls. The cost of armaments is far higher than before the World War and the struggle for markets for rubber, oil, and other natural resources, and for investment areas is still leading to bitterness and recriminations. The series of wars predicted by Bukharin are not inevitable as a means of settling the differences between nations, but neither is a peaceful solution inevitable. If we are to avoid future holocausts, we must apply all of the intelligence, all of the courage, all of the social vision at our command to that task. As an antidote to a Pollyanna optimism regarding the international situation—if for no other purpose—the search-

ing analysis of Bukharin is worthy of careful study.

HARRY W. LAIDLER

New York

RAPPARD, WILLIAM E. *Uniting Europe: The Trend of International Coöperation Since the War*. Pp. xvii, 309. New Haven: Yale University Press, 1930. \$3.00.

Professor Rappard, of Geneva University, has given us a well-rounded account of the problem of securing peace and bringing about economic coöperation in post-war Europe. For this, it would seem, he is eminently qualified, having been Switzerland's representative at the peace negotiations, and being a member of the Permanent Mandate Commission of the League, as well as the director of the Post Graduate Institute of International Studies. Professor Rappard writes from the "inside" of things.

The book is the direct result of the author's Williamstown lectures given last summer, and one cannot but regret that neither Mr. Rappard nor the publishers have seen fit to make any changes whatever. The lecture form, for good or evil, is preserved throughout. But *Uniting Europe*, with its mastery of subject materials and its wanton optimism, will certainly be read with profit by many.

G. SUDERMANN

University of Pennsylvania

KALTENBORN, H. V. *We Look at the World*. Pp. x, 272. New York: Rae D. Henkle Co., 1930.

What should an American citizen know of the world about him? What judgments should he form on the basis of his information as to the importance of events happening in the seven seas? Questions of this kind are answered in the book under review. Mr. Kaltenborn, if not omniscient, is well informed on the meaning of the history being written in some of the areas with which he deals. The reviewer regards the chapter on Russia as the most, and those on the Far East as the least, informing.

The chapters on "America's Place in the World," "The League's First Decade," "Arms and Armaments," and "The London

Conference of 1930" are written with such charm and reflect so much wisdom that they make the reader rejoice (with apologies to Browning) that one of our editors at least

"Gave us all the slip,
Chose land travel or seafaring,
Boots and chest or staff and scrip,
Rather than pace up and down
Any longer Brooklyn town."

W. W. McLAREN

Williams College

MAZUR, PAUL M. *America Looks Abroad: The New Economic Horizons*. Pp. 299. New York: The Viking Press, 1930. \$3.00.

The United States is rapidly approaching the day when earnings abroad will exceed reinvestments and other "invisibles" and must therefore be brought home in the form of goods. Unless we cease raising our trade barriers, serious tariff wars are likely and goods may force their way in at the cost of depreciated currencies—an alarming prospect for a world barely recovered from postwar inflation. The author's story is perhaps familiar enough to bankers and economists but the book deserves wide reading. An easy style and an undoubted spirit of sincerity and frankness throughout recommend the volume to all those interested in our steadily growing international relationships.

AMOS E. TAYLOR

University of Pennsylvania

TORRIENTE, COSME DE LA. *Cuba y los Estados Unidos*. Pp. xlv, 317. Habana: Rambla Bouza y Compania, 1929.

This work consists of twelve addresses and essays by an eminent Cuban statesman and diplomat. They cover the period from 1917 to 1928. In them, the author reveals gratitude for the assistance granted by the United States to Cuba during its struggle for independence, but the keynote is found in a quotation from a paragraph written by William Jennings Bryan in the album of Dr. Torriente's daughter: "God has made us neighbors, let justice keep us friends."

Some of the addresses relate to Cuba's participation in the World War. A mem-

ber of the Cuban Senate during this period, Señor Torriente, made several speeches relative to sugar, the Red Cross, compulsory military service, the Peace of Versailles, and other matters. In all of them he expresses profound admiration for the United States. The most important essay, aside from the Introduction, is an extensive laudatory review of Dr. James Brown Scott's *Cuba, La América Latina, y Los Estados Unidos*. Dr. Scott is called the "best friend of Cuba"—and the admiration appears to be reciprocal, for Dr. Scott has written an interesting and friendly prologue.

Señor Torriente was Cuba's first ambassador to the United States. While here, he succeeded in negotiating a treaty acknowledging Cuba's possession of the Isle of Pines (1925). Thus, in Torriente's opinion, his *patria* received justice at our hands. The Ambassador frequently emphasizes another complaint, however. He repeatedly objects to the Permanent Treaty embodying the Platt Amendment and the tendency of the United States to apply an elastic interpretation to this treaty. In fact, he desires and hopes for the abandonment of the limitations upon Cuba's sovereignty and gives the impression that the majority of his compatriots are in agreement with him. He also evinces pride in the rôle played by Cuba and other Latin American states at Geneva.

The work is an interesting and valuable contribution to Cuban-American relations and it is to be hoped that the author will be able to fulfill his promise of writing another volume dealing with his experiences as ambassador to the United States. Our Cuban policy deserves more careful study than the average citizen or student of international affairs, even, has been able to give it.

J. FRED RIPPY

Duke University

MEARS, ELIOT GRINNELL. *Greece Today: The Aftermath of the Refugee Impact*. Pp. xxii, 336. Stanford University: Stanford University Press, 1929. \$5.00.

The subtitle, *The Aftermath of the Refugee Impact*, furnishes the keynote to this volume. While the author discusses briefly the geographical and historical background

of Greece, he stresses primarily the economic problems which are the vital issues in Greece today. "The real fears of the people themselves are directed less against Turk or Bulgarian than against the day when the public coffers may be low and the supply of bread limited." The resources of the country and the occupations and the problems of the people are depicted in an interesting manner along lines generally followed by economic geographers. The book is especially valuable in those parts that treat of the effects of the war and the refugee invasion. It contains a valuable and extended bibliography of books and publications which deal for the most part with modern Greece.

FRANK E. WILLIAMS

University of Pennsylvania

BRON, SAUL G. *Soviet Economic Development and American Business*. Pp. xiii, 147. New York: Horace Liveright, 1930. \$1.50.

This little book presents a very interesting résumé of the achievements of the planned economy in the U. S. S. R. during the first year of operation under the five-year plan. Still more significant to the American reader is the comprehensive statement of American-Russian business relations, which have been developing very rapidly in recent years. In the closing pages, the author points out the existing obstacles to a better economic *rapprochement* between the United States and the U. S. S. R., and expresses the hope "that the far-sighted American business man will soon realize the necessity of adapting himself to the needs of this new and unparalleled market." (Page 99.)

Attention should be called in particular to the statistical data, on pages 101 to 147, pertaining to the economic development in the U. S. S. R., which are very illuminating.

KARL SCHOLZ

University of Pennsylvania

JOHNSON, ALBERT A., Compiler. *The Soviet Union at Work: Past, Present, Future*. Pp. 64. Springfield, Mass.: A. A. Johnson and Associates, 1929. \$15.00.

In order to permit every one to make his own interpretation, the author of this series of charts has merely presented graphically,

on the basis of officially compiled statistical data, the economic, political, and educational activities of the U. S. S. R. No interpretive materials are added, and only brief explanatory notes are appended to the charts.

The volume contains sixty-four full page charts, depicting such subjects as administrative organization, industry and transportation, and labor Organization, as well as agricultural, financial, and educational activities. Wherever possible, the proposed developments in various branches of the national economy under the five-year plan are projected on the charts. This will facilitate future comparisons of prognostications with actual achievements.

KARL SCHOLZ

University of Pennsylvania

STRONG, C. F. *Modern Political Constitutions: An Introduction to the Comparative Study of their History and Existing Form.* Pp. xviii, 385. New York: G. P. Putnam's Sons, 1930.

A first rate textbook in comparative government demands a comprehensive accuracy in detail and a wide appreciation of foreign countries which the author of this volume does not possess. He strives for impartiality, but a certain amount of good old-fashioned British prejudice against the Germans, the Russians, and even the French, can be read between the lines. His overcareful attempt to do full justice to the United States (which he does not quite understand) reflects a phase of postwar English thought. In the matter of detail he maintains a high standard of accuracy as far as fact is concerned, but constantly utters generalizations so sweeping that he makes himself responsible for many half and three-quarter truths.

All else that needs to be said about the book is favorable. It is a well-proportioned study of contemporary government, arranged under the conventional topics with a great deal of recent illustration. It is readable, and should serve its intended purpose as both textbook and book for the "private student" and the general reader. It is well written, and though packed with matter, is a little less dull than most similar books. Being the

most up-to-date book in a rapidly changing field, it deserves wide use.

E. P. CHASE

Lafayette College

McCULLOCH, ALBERT J. *Suffrage and Its Problems.* (University Research Monographs No. 9.) Pp. 185. Baltimore: Warwick and York, 1929. \$2.50.

Mr. McCulloch has made a very practical, interesting, and concise history of a subject which should be of primary concern to both old and new voters in this country.

The book is written from the promise that the paramount consideration of suffrage, conferred as it is by civil society, "is the welfare of society, not that of the individual," and that the qualification of the voter must be considered more carefully today than ever before, because the successful solution of the country's problems depends more and more upon the integrity and the intelligence of the voter. Mr. McCulloch believes in an educational test of a high school training for suffrage, and reiterates this conviction after each analysis of the three problems of suffrage which he considers the most important before the country today—the problems of the votes of the Negro, the woman, and the foreigner. He gives these problems a historical background from the colonial period to the present time.

Qualifications for elective franchise have greatly changed since the colonial period, when they were largely property qualifications, and the revolutionary act of Federal interference in behalf of the Negro was the first evidence of a growing national consciousness. The Thirteenth, Fourteenth, and Fifteenth Amendments and their effects upon suffrage questions marked the rise of a strong central government as opposed to the earlier decentralization. It is useful in forming a wise attitude toward the discussion of State rights and Federal Government to follow a history of the states and their several positions on the problems of suffrage alone, to study the tables which Mr. McCulloch has made to show the changing qualifications for suffrage during different periods of our history. By a glance at these tables, one sees the results of local prejudice and expediency

on the questions of Negro, woman and foreign suffrage.

Mr. McCulloch has his fears, which do not always seem to be well supported by his illustrations; fears of the illiterate, the corrupt, and the radical vote. He says, for instance, that the percentage of corrupt votes runs very high in the cities, where it has been estimated that as high as thirty-five per cent of the voters are purchasable. This figure would be hard to prove and the question arises as to what determines the purchasable vote. I wish the author had also defined a dangerous vote, and had emphasized the importance of knowing what influences are brought to bear on the voter.

There can be no doubt that expositions such as Mr. McCulloch has gathered and commented upon will contribute toward the educational qualification of the voter, which he so strongly indorses.

GERTRUDE ELY

Bryn Mawr, Pennsylvania

MACDONALD, AUSTIN F. *American City Government and Administration*. Pp. xv, 762. New York: Thomas Y. Crowell, 1929. \$3.75.

Although there are a number of excellent texts on American city government, there is always room for a book which is clear, interestingly written, up-to-date, and authoritative. Professor Macdonald's volume successfully meets these tests. It deals in a balanced and inclusive fashion both with municipal government and politics and with the various branches of administration. The author frankly admits that "much has necessarily been omitted," but practically every topic is discussed or mentioned. Possibly a brief reference should have been made to municipal reporting along the lines suggested by H. C. Beyle in his recent study of Chicago. In describing citizens' committees (p. 353), something might have been included on special civic groups interested in particular causes. These criticisms, however, are incidental. It is impossible to write a comprehensive text that will please all specialists in its space allotments. The volume has a full index, table of cases, and good bibliographical

lists. Teachers and students will find *American City Government and Administration* a valuable addition to the literature of the subject.

ROGER H. WELLS

Bryn Mawr College

BIRD, FREDERICK L., and RYAN, FRANCES M. *The Recall of Public Officers: A Study of the Operation of the Recall in California*. Pp. viii, 403. New York: The Macmillan Company, 1930. \$4.00.

This book is a comprehensive and sympathetic survey of the operation of the recall in California. By a Constitutional Amendment, adopted in 1911, the recall was made applicable to every elective public official of the State but, prior to that, recall provisions had been adopted and used in Los Angeles and in other freeholder charter cities. Subsequently, by legislative action, the principle was further extended to county, township, supervisor district, and municipal elective officials, and to similar officials in a large number of the special administrative districts which abound in California.

The authors discuss with intelligence and insight the operation of the recall in small towns, in the smaller and the larger cities, and in the various districts. The two hundred and eight movements have had their origin in personal and factional differences, often trivial, as well as in moral and official misconduct. Some of the campaigns have been irrational; others have afforded an effective means of retiring an unsatisfactory public servant. The positive effects are various. Despite the somewhat bewildering profusion of details concerning recall movements in city and in county (no attempt has been made to recall any state-wide elective official), the authors have been able by their wide knowledge of California government and politics concisely to summarize the significant factors and results in the one hundred and fifty-five recall elections. Notwithstanding the criticism of the law and the practice of the recall, it seems evident that it will remain indefinitely a weapon in the political armory of California.

THOMAS S. BARCLAY

Stanford University

STUDENSKY, PAUL. *Public Borrowing*. Pp. vii, 137. New York: National Municipal League, 1930.

This is a very competent discussion of public borrowing with special reference to borrowing by local governments. Not only is the present situation with regard to public indebtedness clearly described, but the author has much of value to say about the legal restrictions upon borrowing, the preparation of improvement programs, the term of loans, and long-term budgeting. A distinctive feature of the study is the author's proposal of a new plan for combining taxation and borrowing in a rational manner for meeting current needs and predictable capital outlays. The study is well documented. It should be found of very great value to every teacher of local administration.

LANE W. LANCASTER

Wesleyan University
Middletown, Conn.

BIRD, FREDERICK L., and RYAN, FRANCES M. *Public Ownership on Trial: A Study of Municipal Light and Power in California*. Pp. xviii, 186. New York: New Republic, Inc., 1930. 75 cents.

This is an inductive study of forty-five years of experience of some twenty-five California cities with municipally owned and operated light and power systems. It is to be hoped that students in other states will be persuaded by this study to undertake a similar survey of publicly owned electric plants in other parts of the United States.

At the present moment, one of the really vital questions before the American people—the question of power and its controls, is clouded over and confused because there is no agreement on the facts of public and private ownership. Much of the argument we hear is timeworn and even threadbare. We have propaganda and counterpropaganda, charge and countercharge, even to the using of vast sums of money for publicity by the defenders of private ownership.

In this book we have a beginning in the right direction. If public ownership can bear the light of day, can face all the facts, can prove that efficient service and low rates are entirely possible under public

operation, no amount of adverse publicity will overwhelm it. If it is a failure, let us know it and govern ourselves accordingly.

Mr. Bird and Miss Ryan have done an honest and thorough piece of research. They have examined the business organization, the financial policies, the management, the rates, and the service of twenty-five local power utilities. They have been on the ground in each city, gone over the records, some of them admittedly incomplete, interviewed officials, auditors, and accountants, and put into the pages of this book what they believe to be the facts of public ownership of power in California.

It appears at present that twelve per cent of the total energy generated in the state is by public plants in seven jurisdictions. Eighteen plants are engaged in distribution only, and purchase energy from private generating companies. Fifty-five per cent of the total output of energy is controlled by two power companies and seventy-seven per cent by five. It is of interest to note that since this book was written, three of the five companies here referred to, along with several other smaller companies, have been merged and it is rumored that the other two great companies may join hands with these three.

Municipal systems serve a population of 1,300,000, and with the completion of the San Francisco plans, the number served will total above two million.

The authors believe that interest in the public ownership of power is increasing, that there is general satisfaction with municipal operation, that public operation has brought down the rates for current very substantially, and that public plants for the most part are being operated with commendable efficiency. They believe that the two-thirds vote required by the State law for self-sustaining public utility bond issues is a serious handicap to public operation, that there should be a larger degree of standardization in reporting on municipal utility operations, and that some way should be found to secure for the smaller cities the economies of large-scale generation. They see public plants as automatic regulators of the power industry, and cite California as having in general the lowest light and power rates in the United States.

This study devotes two out of nine chapters to the Los Angeles and Pasadena systems, four to the general subject of distribution systems, one to public power in irrigation systems, and one to the legal phases of public operation. The foreword by John Bauer is illuminating and adds to the general value of the book. The authors are, without apology, believers in public ownership of power, but they remain objective students and do not become propagandist in this volume. The study is well documented and the tables presenting almost every conceivable comparison of figure and facts give firmness and soundness to the text. The student of the present American power controversy ought not to neglect the book.

C. A. DYKSTRA

Los Angeles

CHILDS, HARWOOD LAWRENCE. *Labor and Capital in National Politics*. Pp. xiii, 286. Columbus: The Ohio State University Press, 1930. \$3.00.

To the rapidly swelling literature about unofficial government which has resulted from the new realism in political science, Dr. Childs has made an important addition. The American Federation of Labor has been the object of much careful study before that of Dr. Childs, but new significance is given to the material by putting it in close juxtaposition to the story of the Chamber of Commerce. It is a well-deserved tribute to the objectivity of the author's attitude that his monograph comes highly recommended by spokesmen of both organizations.

The Chamber of Commerce began with a rather modest idea of its place in the sun. The sponsors of the organization wanted to use it to ascertain the opinions of business men, believing that business interests were suffering from the lack of an authoritative exposition of business views. Subsequently, the Chamber has tended to widen its scope in two directions: by multiplying its service functions for private business, and by taking a more aggressive part in promoting the policies formulated by the Chamber. The American Federation of Labor has shown something of the same development.

Not the least interesting section of the book is devoted to calculating the percentage of present to potential membership in each organization. Of the whole number of state and local commercial organizations, the Chamber includes seventeen per cent. The Federation has eighty-two per cent of American trade unions, but only fifteen per cent of American wage workers. A quarter of the book is given over to an illuminating analysis of the policy-determining technique in the two organizations, discussing conventions, committees, research staffs, conferences, and referenda. Another segment is devoted to the methods of influencing the public, and some very interesting contrasts emerge. In a list of seventeen means of bringing pressure to bear on the Government, the American Federation of Labor and the Chamber both use seven, the Federation stresses seven more, and the Chamber has three distinctive devices.

The monograph closes with some tentative suggestions about the wider meaning of the phenomena described. Whatever one may think of the observations made, there is no doubt of the pertinence of the reported cases to the understanding of modern government.

HAROLD D. LASSWELL

University of Chicago

BEARD, CHARLES A. (Ed.) *Toward Civilization*. Pp. vii, 307. New York: Longmans, Green and Company, 1930. \$3.00.

In his *Whither Mankind*, Professor Beard brought together the thoughts of various economists, lawyers, and social philosophers on the momentous question of the current trend of cultural evolution. They at least made it plain that science and invention are mainly responsible for our whirligig state.

The same editor has now brought together the views of some sixteen scientists and engineers on the significance of various aspects of the new knowledge and its applications for the human future. In an introduction Dr. Beard enumerates the charges brought against the machine age and in a closing chapter he summarizes, with a degree of optimistic overstatement, the answers which the intervening chapters are supposed to make. On the whole, his

summary is much more apt and pertinent than the engineers' chapters. These are sometimes dull and commonplace and frequently inapplicable to the main issues. Here and there is a chapter quite worth reading, but the general effect is to leave the intelligent reader with little fresh inspiration and very few new ideas.

F. H. HANKINS

Smith College

KING, WILLFORD I. *The National Income and Its Purchasing Power*. Pp. 394. New York: National Bureau of Economic Research, 1930.

This is volume No. 15 of the series of economic studies undertaken by the National Bureau of Economic Research, and conforms to the high quality of scientific endeavors which is characteristic of the publications of that Bureau. It should commend itself to the large body of social scientists as the most authentic reference for data on the sources, the distribution, and the purchasing power of money incomes. The work contains 153 tables and sixty charts. In the body, the author presents with great care, detail, and lucidity, the methods and the statistical procedure employed. He takes the reader frankly into his confidence with respect to trying difficulties encountered in the testing of sources and in the derivation of data. While reading the work one finds that whatever criticisms come to mind are immediately answered by the author, so cautiously is the volume prepared. This cautiousness, however, did not prevent the author from boldly pioneering into novel aspects of income. For example, he explores the problems of "the values of corporations to their owners" and the "gains and losses of investors in each of the three classes of securities"—funded debt, preferred and common stocks.

No student of social and economic problems should fail to make a thorough study of this volume. The data and facts presented illuminate the most vital questions that might be raised with respect to the functioning of our economic system. Reference to Dr. King's notable contribution should allay much useless controversy. Seriously minded scientific investigators

will be prompted to select problems for inquiry which this work has made possible.

W. C. SCHLUTER

University of Pennsylvania

NYSTROM, PAUL H. *Economics of Retailing*. 2 volumes, revised edition. New York: The Ronald Press Company, 1930. \$10.00.

The new two-volume work by Professor Nystrom is an amplification of a former work by the same author which appeared during the pioneer period of merchandising endeavor. The work amplifies much of his former material, although the reviewer believes that some of the tables and illustrations might be brought up to date and thus add effectiveness to the work.

The new sections of the book are in accord with the new comprehensive picture of what retailing actually is. They give a picture of the needs of the average administrator in terms of volume, turnover, and profits in order to make a business more effective. Each volume is complete in itself, although the reviewer feels that the second volume is of greater value for its detail, while the first represents a more general review of the economics of merchandising.

J. RUSSELL DOUBMAN

University of Pennsylvania

NYSTROM, PAUL H. *Economics of Consumption*. Pp. xi, 586. New York: The Ronald Press Company, 1929. \$5.00.

The treatment given to the economics of consumption lends itself to a threefold classification. First, the growing importance of, and influences affecting, consumers' choices. Some of these influences are social or public attitudes, population, wealth, size and composition of the family, and budget control; to each of these a chapter is given. Second, trends in the choices of consumers with regard to the items provided for in the budget and on which the standard of living rests. A chapter is given to each of the following items: food, clothing, housing, home furnishings and home operation, health maintenance, leisure and its uses, and savings. Third, measures and indices of consumers' demand.

An attempt is made to weave together economic theory and factual experience relating to consumption. Many economists will certainly disagree with the emphasis which the author places upon demand in determining prices, and there are other points of theory on which there does not seem to be the uniformity of view which the author either expresses or implies. But such points do not detract greatly from the usefulness and the importance of the text for many purposes. The literature of this field is enriched by this contribution.

H. LARUE FRAIN

University of Pennsylvania

DAVIS, JOSEPH S. *The Farm Export Debenture Plan*. Pp. x, 274. Stanford University: Food Research Institute, Publication No. 5, 1929. \$3.00.

Unquestionably, this book presents the strongest arguments, some quite pessimistic, against the debenture plan that have yet made their appearance within a single volume. These are presented in such tolerant, convincing manner that the affirmative, indeed, would do credit to itself to present an equally forceful case. Particularly clear is the analysis of the workability of the plan for wheat and derived products which Dr. Davis visualizes with a perspective which many, no doubt, do not have.

Without disputing the major conclusions reached respecting the practicability of the plan, some questions may be raised, however. In Chapter 1, in which the essential features of the debenture plan are described, Dr. Davis raises the question as to whether a subsidy is or is not involved. He concludes that the debenture is not a subsidy. Certainly, the debenture plan does not call for a cash payment to foster physical agricultural production, but nevertheless its passage would be designed to keep operating an industry deemed to be especially valuable for national welfare. Differing no doubt from the usual method of administering a subsidy, but being distinctly similar in purpose, it appears that an export debenture also becomes a subsidy—an indirect one, to be sure.

In refuting the argument that justice demands that agriculture should receive some legislative assistance, Dr. Davis first

points out that agriculture is not nearly so badly off as is usually depicted, mainly because the perquisites are not properly evaluated and the method of measuring farm incomes is subject to the inclusion of considerable error. It may be entirely possible, however, that the case is weakened rather than strengthened by mentioning that many farmers supplement their incomes to a very considerable extent from work off the farm, since obviously the returns from purely agricultural pursuits are so small in some cases that farmers are forced to do supplementary outside work.

The other and more telling argument against the contention of justice is the attack upon the analogy to the tariff. It is held that the plan is not merely an extension of the tariff policy, since the tariff does not aim to raise domestic prices, while the debenture plan admittedly does. Dr. Davis writes, "The protective tariff has been regarded as a means of fostering undeveloped industries, or of maintaining those which are unable to supply the domestic market in the face of foreign competition," and "the raising of prices is properly regarded as only a proximate, not the ultimate, objective." That there is room for argument here, no one will doubt. The infant industry argument and the quotations from Alexander Hamilton would find difficulty in justifying highly protected industries that find it advisable to dump products over a high tariff wall so as to keep up domestic prices. Possibly this does not accord with the aims of the early advocates of a tariff, but the scheme tries to meet modern situations. Economists taking issue with the advocates of a high protective tariff do not unreservedly base their opposition on the assumption that the tariff is necessarily "one hundred per cent effective," but they do contend, as Dr. Davis himself does, that "there is reason to believe that our tariff policies have worked to the detriment of the farming class."

In considering the problem of reflecting the debenture back to farmers, the author is quite concerned over the fact that for certain high quality, premium wheats, possibly a smaller fraction of the debenture rate would be reflected to the farmers pro-

ducing them than to the producers of the poorer, exportable supplies. If this were the case, it certainly would nullify the contention of the advocates who believe that the debenture rate would be fully, uniformly, and universally reflected to the producers of the commodity. Yet, such unequal reflection would not be in disharmony with the purposes of the act, i.e., to raise the domestic price level of those exportable commodities whose price is based upon the world price. Producers of premium wheats probably do not need, or at least need much less, the aid which a debenture seeks to accomplish. If it is also true that adequate reflection of the debenture may cause marked changes in production, particularly of those qualities and varieties of wheat that are demanded for export, then it is logical to assume that the reduced supply of domestically consumed, premiumized wheats will go up in price to the point where the relative differential will be reestablished. Many advocates of the scheme would say that not all the wheat growers nor all the tobacco producers would have to receive part of the debenture rate in order to declare the plan desirable. Effectiveness is not necessarily to be judged by the number of beneficiaries under the plan, but by the degree of assistance to those who actually need it. Dr. Davis doubts whether wheat prices at the farm would go up more than fifteen to sixteen cents a bushel. If this were the result, and for one year only, should this be called an incidental consequence?

Since, no doubt, the Agricultural Marketing Act will be subjected to severe criticism, as any other radical legislation is, the economist will find Dr. Davis' excellent book a distinctly timely treatise on the difficult question of farm relief.

MARVIN A. SCHAAERS

University of Wisconsin

FRANKFURTER, FELIX, and GREENE, NATHAN. *The Labor Injunction*. Pp. 343. New York: The Macmillan Company, 1930. \$5.00.

Students of labor problems will find in this volume a very significant contribution to the literature of this extremely complex and controversial subject. The volume

shows not only a thorough acquaintance with the legal and procedural aspects of the problem, but also an understanding of the social and economic implications of the injunction as it has been used in labor disputes.

There are five chapters in the book, covering the following topics: Allowable Area of Economic Conflict; Procedure and Proof Underlying Labor Injunctions; Scope of Labor Injunctions and Their Enforcement; Legislation Affecting Labor Injunctions; and Conclusions. In addition, there are a number of appendices, tables of statutes, and cases, which make available a considerable amount of material not easily accessible, thus adding to the usefulness of the work.

The important injunction cases are treated, and what is better still, the treatment is in a style that the layman can understand rather than in the technical legal verbiage in which the cases are usually reported. The volume is thoroughly annotated so that those who care to do so can easily consult the sources.

The authors have made it very clear that the use of the injunction—even the temporary restraining order—restricts unequally the two parties to the labor contract. They say, "The suspension of activities affects only the strikers; the employer resumes his efforts to defeat the strike, and resumes them free from the interdicted interferences." (P. 201.)

The problem which this situation presents to the courts is to determine which "side should bear the risk of unavoidable irreparable damage." This task becomes "an impossible assignment when the judges rely solely upon the complaint and affidavits of interested or professional witnesses, untested by the safeguards of common law trials—personal appearance of witnesses, untested by the safeguards of common law trials—personal appearance of witnesses, confrontation and cross-examination."

The authors argue, "Once we recognize that the right of combination by workers is in itself a corollary to the dogma of free competition, as a means of equalizing the factors that determine bargaining power, the consequences of making the power of the union effective will be seen in truer perspective." (P. 205.)

The authors recognize "the futility of freedom of contract in the absence of the freedom to contract," and they argue that in developing a sound public policy toward questions of industrial relations, the legislature should be made aware of the social changes to which the proposed remedial legislation is to be applied, and the courts should respect the policy so determined.

The last chapter concludes with a detailed analysis of a bill that was presented to Congress in 1928 (S. 1482). The purpose of this bill is to bring relief to the unions in the use of the injunction.

F. S. DEIBLER

Northwestern University

HACKETT, J. D. *Labor Management*. Pp. xviii, 681. New York: D. Appleton & Company, 1929. \$5.00.

Many books have been written covering the same field, but few, if any, have been written with the completeness of the author's accomplishment. It would be exceedingly difficult to find a phase of employe-employer relationship that might be considered overlooked.

To the major or minor executive desiring specific information on labor relations, this text will fully afford a fund of information both from the material itself, and from the ample footnotes for further perusal. Especially noteworthy are the chapters on wages, wage determination, and wage considerations.

Without boring the reader of this brief review with full details, the customary phases presented in such a book are considered here with a definiteness of application, enumeration of actual instances, and plans of procedures which will materially assist personnel managers and special students of labor.

Judgments of lines of action are nicely drawn, and the entire tone of presentation is beyond the realm of "preachy" material.

R. W. JOHNSON

Philadelphia

SANDERS, THOMAS H. *Industrial Accounting: Control of Industry through Costs*. Pp. xiv, 371. New York: McGraw-Hill Book Company, 1929. \$4.00.

Cost accounting as a tool of business con-

trol has taken on added importance, greater precision, a high degree of accounting technique, and, most important of all, a change in perspective during the last decade. Formerly concerned only with manufacturing costs, using crude methods of assembling, classifying, and interpreting accounting data, the historical cost accountant is being gradually supplanted by a newer type, one who recognizes the possibilities of cost accounting and the services which it can render in the field of business administration.

Professor Sanders, in the preface of this book says: "Changing conditions and a changed emphasis call for an occasional re-statement of the fundamentals of any science and especially of those which are as little stabilized as are most branches of business science." With this thought in mind he has analyzed very ably the present-day cost accounting devices and objectives. The uses and the problems of cost accounting, rather than the practices and the procedures involved in the accumulation of cost data, are stressed. It is not to be inferred that the latter are ignored—they are merely subordinated. This is in decided contrast to many textbooks on cost accounting which emphasize the mechanical aspect of the subject to the neglect of other important phases.

The text is divided into four parts. The first section presents the relationship between cost accounting and the three phases of management, namely, financial, operating, and sales policy control. The second section deals with the elements of cost and gives an analysis of the problems confronting the accountant in the handling of materials, labor, and burden. Section three covers some typical cases of cost accumulation, and section four is given over to a discussion of special phases of cost work.

Professor Sanders shows a keen appreciation of the uses and the problems of cost accounting, and has presented his subject in a thought-provoking manner. Cost accounting is not emphasized as a system of accounting, but as an analytical study made for the purpose of eliminating inefficiencies and variations, that thereby business might be better controlled by more precise and more profitable procedures of purchas-

ing, of operating, and of marketing the output.

The reviewer, after using the text in class for one year, believes that certain changes might advantageously be made. A rearrangement of content to secure greater continuity and a little more emphasis on the tie-up of cost problems, cost data, and accounting procedure would render the book more helpful to the student of accountancy.

The merits of the book, however, far outweigh any criticism which might be offered. The accounting profession is indebted to Professor Sanders for his illuminating analysis of the cost problems confronting them.

J. LOCKWOOD

University of Pennsylvania

KESTER, ROY B. *Accounting—Theory and Practice*. Pp. xx, 835. New York: The Ronald Press, 1930. \$4.00.

This is an able presentation of the fundamental principles of accounting, their application to the various forms of business organization, and the relation of accounting to the numerous functions of business management. The revision, involving a rearrangement and a rewriting of old material and the addition of several new sections, has been very well accomplished by Professor Kester. The book is far more than just an able text to be used in the classroom. It will serve business executives well in their endeavor to understand the relation of the accounting department to their manifold duties, and in their interpretation of the recorded and summarized financial facts of their businesses.

J. LOCKWOOD

University of Pennsylvania

KRAFT, CARL, and STARKWEATHER, LOUIS P. *Analysis of Industrial Securities*. Pp. xiv, 307. New York: The Ronald Press Company, 1930. \$5.00.

The aim of the authors of this work was "to develop a technique of analytical procedure for the determination of the value of industrial enterprises, which they have found satisfactory in the investment banking business." The point of view of the investment analyst is taken, although, as the writers correctly state, the method of analysis evolved is equally applicable for

determining commercial credit risks. The distinctive features of this book are (1) a comparative study of the various methods in use for analyzing the credit or investment worth of a company, (2) the development of the authors' technique into a *complete analysis*, including, not only the financial statement, but also the industrial and technological factors surrounding a business enterprise, and (3) a well-selected group of companies used to illustrate amply the method of analysis presented.

Those who invest their own funds or the funds of others should find this volume very helpful. It offers no easily applicable formula, but presents a sound method and procedure for investment analysis which if followed intelligently should go a long way toward avoiding excessive losses, too often the result of ill-considered investments.

W. C. SCHLUTER

University of Pennsylvania

BUNNELL, S. H. *Industrials: Their Securities and Organization*. Pp. vii, 334. Chicago: A. W. Shaw Company, 1929. \$5.00.

In this volume will be found a good discussion of the character and the importance of certain intangible items in an industrial concern. The author is an engineer and his interest centers, therefore, in the operating rather than the financial aspects of industrial corporations. While the title to the book suggests extensive consideration of the securities of industrials, little is to be found upon this phase of the subject beyond a general and elementary survey. The same is true with reference to the sales and merchandising phase of the subject.

Instead, special attention is given to production methods, methods of control, the arrangement of equipment, the routing of work, the cleanliness and the general condition of plant and machinery. Progressive management and an effective force of workers are above all essential to ultimate success. These are items, the author points out, not to be found on the usual balance sheet and income statement, yet they are of first importance; all of which is very true, but of little help to the 999 out of every 1000

whose business or financial status will permit of nothing beyond a study of the usual data to be found in a statistical service.

G. WRIGHT HOFFMAN

University of Pennsylvania

WOLFE, F. E. *Principles of Property Insurance*. Pp. xii, 393. New York: Thomas Y. Crowell Company, 1930. \$3.00.

This is a compact manual of the general principles that apply to what the author classifies as "property insurance." Of the twenty-two chapters, seventeen have to do with fire and marine covers; the remainder are on casualty or so-called special lines. The common characteristic of the insurances treated is that they assume neither the life or personal disability contingencies on the one hand nor third-party risks on the other.

While the author has made no contributions to the subject (nor does he pretend to have made any), this work will serve its primary purpose as a text for the general student.

C. A. KULP

University of Pennsylvania

VORLÄNDER, KARL. *Karl Marx, Sein Leben und Sein Werk*. Pp. viii, 332. Leipzig: Felix Meiner Verlag, 1929. Price, M. 12.

This is the latest popular biography of Karl Marx. It is divided into four parts. Part I covers the period of young Marx (1818-1848); Part II, the period of Marx's manhood (1848-1870); and Part III, the later years of Marx's life (1871-1883). All footnotes are appended in Part IV, which also includes a bibliography, a *Zeittafel* of Marx, an index, and a list of illustrations.

This chronological arrangement is convenient for reference purposes, but it lacks emphasis and selection. On this account the volume is similar to John Spargo's *Karl Marx, his Life and Works*, but inferior to Max Beer's *Life and Teaching of Karl Marx*. Yet Vorländer has covered some new material collected and published by the Marx-Engels Institute at Moscow, so his book is a better chronicle than John Spargo's.

SHERMAN H. M. CHANG

University of Pennsylvania

FOSTER, MAJOR B., PATTERSON, STEWART E. L. *Banking*. Pp. xix, 358. New York: Alexander Hamilton Institute, 1930.

This volume is better than its predecessor from the viewpoint of scope. The banking systems of the United States and Canada are ably contrasted, and big reference is made to the conditions prevailing in the major European countries. Despite this improvement, there is still a tendency to crowd too many facts into a single volume, and questions of theory are sometimes stated so epigrammatically that they incline to fallacious dogma. Perhaps the suggestion is impossible in view of the purpose for which the book is intended, but the subject would be better presented if the continuity of thought were preserved, and the various sections of the study linked in some ordered sequence.

F. CYRIL JAMES

University of Pennsylvania

STONE, SAMUEL G., and SHELBY, GERTRUDE M. *Black Genesis*. Pp. xxv, 192. New York: The Macmillan Company, 1930. \$3.50.

It is not strange that, in the recent vogue for things Negro, some one should have prepared a presentation of Negro explanatory tales such as are contained in this volume. Although in the popular mind the animal trickster of the Uncle Remus type is generally associated with the thought of Negro stories, it would be curious if these accounts, which give the Negro's cosmic view as it has been influenced by contact with the white man and his Bible, had not been devised by colored story tellers. A recent study of West African folk tales, for example, showed that a large proportion of them were explanatory—more, indeed, than the moralizing sort found in the Uncle Remus collections.

The tales have great charm, and, in spite of the literary presentation, are well worth reading, and are well and amusingly illustrated by Mrs. Bruere. Some of the spirit of their telling has been preserved, although the headings of the chapters are forced. The accounts of the creation of the world by God, of the giving of mouths to the beasts by Br' Dog, delegating His assistant

for this purpose, of the trials of Adam and Eve and their two sons, are delightful, and the manner in which these Biblical characters are woven into an account of animal origins and behavior springing from aboriginal African stories is quite fascinating. It would not be surprising if this volume stimulated folklorists in the collection of this relatively neglected type of Negro folk tales.

It is unfortunate that the tales were not permitted to stand by themselves, for the observations in the preface are full of errors of fact and of deduction. That the Negroes who came to America came principally of Bantu-speaking stocks is not true; they were, in the main, from Sudanese-speaking tribes of the West Coast. The lack of grammar attributed to Negro English simply means that there is a lack of English grammar—something far different, for grammar is structure, and Negro English, whether spoken in Dutch Guiana, the West Indies, or America, has as rigid rules as any language. The table of linguistic correspondences is not tenable, and incidentally, the tribe in Portuguese West Africa, Angola (which historic and comparative ethnological evidence tends to show is not a principal source of New World Negroes), so prominently mentioned in this table should be Ovimbundu, and not Umbundu. The amount of early English in West Indian and Guiana speech is not as large as the authors seem to think, and Cruickshanks' work, which is one of the few identifiable ones mentioned, stresses, as a matter of fact, the Africanisms in the speech rather than the old-English elements. And it is surprising, in view of the fact that, according to Mr. Du Bose Heyward's preface, one of the authors is acquainted with the Guianas, that recognition of the identities of Gulla with the "taki-taki" of Dutch Guiana identities, grammatical structure, and phonetic usage, which I found in the text in great numbers, is not indicated.

Other criticisms of this preface might be made, but it is not fair to charge the stories with these misstatements. The tales are well worth reading, and deserve wide circulation. It is unfortunate that, having the sophisticated world-outlook which they display, they should be introduced with the

phrase that they are to be regarded as coming "out of the mouths of babes and savages."

MELVILLE J. HERSKOVITS
Northwestern University

HAVEMEYER, LOOMIS. *Ethnography*. Pp. vi, 522. Boston: Ginn & Company, 1929. \$4.80.

A book of this type would be negligible if it were not offered as a textbook with a recommendation which states: "It is supposed to supply a set of facts drawn from the most reliable sources upon which the development of a science of society may rest." In this setting it becomes not merely a very bad book, inaccurate, out of date, and utterly unimportant, but a dangerous book, which should be labeled publicly as such. A glance at the footnotes and the bibliography is sufficient to inform the reader that a book on ethnography which places its chief reliance upon Ratzel, articles in the *Encyclopaedia Britannica*, and Bancroft's *Native Races of the Pacific*, which discusses Australia without reference to Baldwin Spencer or Radcliffe-Brown, the Andaman Islanders with reference only to Mann and with no mention of Radcliffe-Brown's famous monograph, the Eskimo without reference to Boas, Birket-Smith, Thalbitzer, Rasmussen, or Mathiessen, Polynesia without a reference to the monumental works of Elsdon Best or the many monographs of the Bishop Museum, and Melanesia without reference to Malinowski, Seligman, Haddon, or Neuhauss, is so hopelessly out of date as to be ridiculous.

The general discussion, pigeonholed under badly chosen paragraph headings which discuss cannibalism as a separate head but omit marriage classes except for a cursory reference for Australia, is as badly informed and inadequate as is the choice of sources. The treatment of one area will suffice for illustration. In the author's description of "Melanesia," even his geography is at fault, for in listing the islands he completely omits any mention of the large and important Bismarck Archipelago. After giving a brief description of the physique of Melanesians, who show perhaps a greater variation in physical type than any neighboring

people of similar number in the world, he summarizes their mental characteristics with a long quotation from Ratzel, full of valuable remarks such as "Suicide is not unknown." Then he proceeds to make remarks about the "natives of New Guinea," blissfully unaware of the hundreds of different tribes in New Guinea, which make such comments as completely unilluminating as a comment upon "the American Indian," which even elementary school teachers are learning to avoid in favor of "the Iroquois" or "the Pueblo Indians." Descriptions of canoe-making in some spot, unspecified, do for a discussion of "the larger boats of New Guinea." Initiation, which is one of the most diversified customs of the area and conspicuously absent in many regions, is accorded a short quotation from Codrington, locality unspecified.

One could continue such criticism for every area. The use of this book could not only have no good effects; it would inevitably have bad ones by so alienating the students' interest from primitive material that any tendency towards research would be nipped in the bud. The author states that he follows the method of treatment devised by Professor Sumner; his complete disregard of all the modern and scientific sources of recent publication suggests that he must have confined himself to using only a part of Professor Sumner's bibliography, limited as it was by the date when it was compiled.

MARGARET MEAD

American Museum of Natural History

KAVANAUGH, MARCUS. *The Criminal and His Allies*. Pp. xxiii, 433. Indianapolis: The Bobbs-Merrill Company, 1928. \$3.00.

Judge Kavanaugh has drawn a startling indictment against all public employees and officials who together make up the machinery for the enforcement and the administration of criminal law in the United States. He rightly looks for little improvement until the facts are brought home to a much larger proportion of the population through the collection and the dissemination of accurate statistical information. What the author says of conditions in Cook County, Illinois, we are loath to accept as

fairly representative of all of our large cities, despite his statement that "Chicago typifies most American cities."

"The criminal is not born, but is made, and most often makes himself; . . . the degree of mentality has nothing to do with the criminal's disposition; . . . the criminal is just an average being plus laziness, selfishness, and cruelty," says Judge Kavanaugh, who attributes our "wealth" of crime to general indifference, lack of accurate statistics, restriction of power of, and lack of force in, judges; to technicalities in the law sustained by appellate courts; to domination of legislatures by lawyers; to crooked criminal lawyers and crooked protecting politicians.

The author prescribes as the first and fundamental method of correction the rigid enforcement of the penalties of the law, including the use of the whipping post and the rod (for which he makes out a strong case); deportation of alien criminals and aliens of proven bad repute, regardless of the length of residence here; elimination of slums, encouragement of the Boy Scout and Girl Scout movements—though, as he says, "the difficulty with these organizations is that they cannot reach into the kinds of places where they are needed most."

Were this book given a wide circulation, it would aid materially in awakening the public conscience to the evil that it so vividly discloses. Opposite Detroit, in Canada, is the city of Windsor, Ontario. Detroit has more than one hundred murders for one in the nearby Canadian community. The sternness of Canadian justice, including corporal punishment, is given credit for this remarkable contrast.

EDWIN O. LEWIS

Philadelphia

OPPENHEIMER, FRANZ. *System der Soziologie*. Vol. IV: *Abriss einer Sozial- und Wirtschaftsgeschichte Europas von der Völkerwanderung bis zur Gegenwart*. Part 1: *Rom und die Germanen*. Pp. xvi, 412. Jena: Verlag von Gustav Fischer, 1929. M. 18.

When Oppenheimer's massive *System der Soziologie* reached its third volume, and when the whole vast fabric of over three thousand octavo pages was crowned by an

extraordinarily accurate index of over three hundred pages, most sociologists believed that the author would take a well-earned rest, or at least that he would thereafter turn his attention to his projects for the reform of the German land system.

It is now evident, however, that Oppenheimer will never cease writing until death overtakes him, for he has begun a task that would tax the powers of a far younger man, namely, the writing of a social and economic history of Europe from the time of the Great Migrations to the present, of which the first section of the first volume, or rather, of the fourth volume of the "system," is now under review.

This first section is a truly remarkable digest of the most recent material relating to the prehistory of Europe, the migrations of the primary and secondary nomads, and the contacts of the latter with the Romans. The fact that Oppenheimer maintains, with the same vigor and narrowness as heretofore, his original thesis that the state is exclusively a product of conquest, harms the book to some extent, but nevertheless his marvelous synthesizing ability must be recognized. Further, it must be admitted that he has gone a long way toward proving the overwhelmingly important part played by the nomads in the history of Europe; authors who differ from him must cover a great deal of ground if they hope to discredit him.

The reviewer disclaims any right as either a historian or a sociologist to challenge Oppenheimer's conclusions, but does feel that a question might well be asked: Was the Roman state founded by pastoral nomads of either the primary or the secondary variety? All authorities picture the Romans as an agricultural people, and yet they had a more extended career of conquest than any people either before or since. Surely this does not accord with Oppenheimer's generalizations, a fact which is all the more peculiar since he deals with Rome in the book under review—and says nothing about the genesis of the Roman state!

Nevertheless, American sociologists must sooner or later take account of Oppenheimer; he must be reckoned with Tönnies, Sombart, von Wiese, and Vierkandt as

among the greatest sociologists of present-day Germany, and as one of the greatest synthesizers of all time. Spencer, Sombart, and Ratzel are perhaps his only superiors.

HOWARD BECKER

University of Pennsylvania

TÖNNIES, FERDINAND. *Soziologische Studien und Kritiken* (third series). Pp. vii, 475. Jena: Verlag von Gustav Fischer, 1929. M. 22.

This volume is the third and possibly the last of the collected shorter articles critiques of that Nestor of German sociologists, Ferdinand Tönnies, and deserves the attention of every serious student of social affairs. Not only sociologists, but also economists, political scientists, historians, and social technologists can derive more benefit from these outmoded but not outdated writings than from the greater part of the wood pulp that is spewed forth by the purveyors of "up-to-the-minute" textbooks.

The first article, "Ends and Means in Social Life," is of much value to the urban or rural sociologist, inasmuch as it deals with certain types of behavior that find their most perfect exemplification in the large city on the one hand and in the rural village on the other. It is also a valuable supplement to Tönnies' general theory of community and society.

The second, "Democracy and Parliamentarism," is a thoroughly realistic discussion of the present European political crisis—a crisis of which the dictatorship of Mussolini was an attempted and possibly (although Tönnies gravely doubts this) a relatively adequate solution.

The third, "Statistics as a Science," and the fourth, "Moral Statistics" (crime, illegitimacy, and so forth), have quite a contemporary flavor, although they were published about twelve years ago. The focal point of discussion is von Mayr's statistical work, and practically everything that is said is relevant to the current controversy between those who would make statistics the only method of sociological research and those who grant to statistics a more limited rôle.

Last of all, the collected book reviews should be of considerable interest to every

one who has to do with sociological theory, either in its historical or its contemporary aspects, for these reviews are not the brief, superficial notices Americans are used to, but veritable articles that really give some idea of the book being reviewed and of its value. Practically every English, French, German, and American sociological and social-philosophical work of importance that appeared from 1892 to 1898—that is, during the extremely important period when the first generation of academic American sociologists were beginning their work—is discussed at length. Furthermore, the criticisms, both positive and negative, are clean-cut; there is no slurring over of errors for the sake of "tact," and no withholding of praise when it is deserved. Such reviews, however excellent, are of course no substitutes for the books themselves, but they afford an invaluable antidote for academic provincialism.

All in all, these scattered writings were well worth reprinting.

HOWARD BECKER

University of Pennsylvania

LANDAU, ROM. *Pilsudski and Poland*. Translated by Geoffrey Dunlop. Pp. vi, 305. New York: Lincoln MacVeagh, The Dial Press, 1929. Price, \$5.00.

Here is a biography that purports to be a romantic book. Its subject, a national hero, has about him, no doubt, exceedingly romantic elements, but the scholar would look with more favor upon the work were it clothed in the paraphernalia of scholarship. The book is utterly devoid of footnotes and bibliography; the reader is offered absolutely no means by which to check the author's statements.

Making an effort to emulate the successful method employed by M. Maurois, Landau has attempted to enter, it seems to me unwarrantedly, the secret thoughts and moods of his subject. He is unconvincing, however, for he lacks the artistry possessed by the biographer of Shelley and Byron and Disraeli.

The story is a chronological account of the youth and manhood of Pilsudski, with emphasis, of course, upon his patriotic and unselfish services to the country which, from childhood, he had known as an op-

pressed and unhappy land. The index of the book is, at least, satisfactory.

DOUGLAS L. HUNT

Birmingham-Southern College

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INDEX TO SUBJECTS

- Bank for International Settlements**, 53-64, 68, 70-75; criticism of, 55-64; defense of, 71-75; effect of on United States investors, 55; historical setting of, 53, 54; motives for establishment of, 63, 64, 68; political value of, 70, 71.
- Birth Control**, 8-12; Malthusian theory contrasted with, 8, 10, 11; progress of, 10-12; reasons for, 8, 9.
- Cable**, 50, 209; development of, 50; most modern transatlantic, 50.
- Commerce, International**, 25-39, 85-104, 112-116, 126-166, 186-189, 199-204, 215-216; Havana trade, 37; interchange of commodities, 25; Interstate Commerce Commission, 25; Latin American trade, 175, 176, 188, 189; trade restrictions, 89-97, 126-145, 147-161, 186, 188, 195, 201, 202. *See also* Commercial Policies.
- Commercial Policies as Factors in International Relations**, 117-125, 186-189, 194, 195, 197, 199-204, 209-211, 215, 216; examples from history, 117-121; exports, control of, 91, 94-97, 195; imports, 88, 210, 211; *see also* Minerals; United States imperialism, 187-191. *See also* Tariffs and Duties and Raw Materials.
- Communications, International, Electrical**, 25-32, 40-52, 154, 196, 209; control of, 47; costs of, 48, 49; history of, 50; statistics of transoceanic, 49; subsidies for, 47. *See also* Cable, Radio, and Telephone, International.
- , **Postal**, 25-32, 209; control of, 29, 30.
- Conferences, International**; Conference of American Jurists, 190; Dawes Plan, 68, 69, 74; Disarmament Conference, 42, 43; Genoa Conference of 1922, 72; International Conference on Safety of Life at Sea, 38; International Institute of Agriculture, 266; League Assembly, 135, 138; Pan-American Commission on Simplification and Standardization of Consular Procedure, 127, 143; Pan-American Conference on Customs Procedure and Port Formalities, 127, 143; Pan-American Conference at Havana, 191; Pan-American conferences, 189; Paris Conference of 1929, 72; Preliminary Conference with a View to Concerted Economic Action (League of Nations), 146; Second International Conference for Abolition of Import and Export Prohibitions and Restrictions, 152; Stockholm Congress of International Chamber of Commerce, 127; Third Pan-American Commercial Conference, 127, 190, 191; Thirty-fourth Annual Meeting of the American Academy of Political and Social Science, 189; World Economic Conference, 95, 97, 123, 126, 127, 132, 148, 186, 191, 197, 208; Young Plan, 55, 62, 68-74, 76.
- Copper**, 105-116; comparative cost of production of, 105, 106, 112, 113; consumption of, 105, 114-116; foreign development of, 105-110; United States' resources neglected, 109.
- Dawes Plan**, 68, 69, 74.
- Economic Conditions as Affected by World War**; in Austria, 225; in Central and Eastern Europe, 130, 131; in Czechoslovakia, 265, 266; in Germany, 274, 278, 280, 281; in Poland, 248, 289.
- Emigration**, 7-12, 23, 197, 198, 209, 218, 219; as factor in international relations, 197, 198, 209, 218, 219; motives for, 7-11, 23; restriction of, 13, 197, 198.
- Exports**; *see* Commerce, International, and Commercial Policies.
- Expropriation of Land**; in Czechoslovakia, 262-271; in Germany, 278, 279; in Mexico, 243-246. *See also* Land Utilization.
- Finance, International**, 53-64, 66-73, 76-84, 189, 190, 195, 196, 204-206, 209, 216, 217; credit, 66-71, 77-84, 189, 190, 195; Federal Reserve policies, 67; flow of capital, 66, 67, 76-84, 196, 206; reparations problems, 53-64, 68-73. *See also* Foreign Investments.
- Foreign Investments**, 55-64, 67-84, 171-178, 182-188, 189, 195, 196, 206; dangers of, 78-84; in Latin America, 171-178, 182, 188, 189, 206; reasons for, 76, 77; reparations bonds, 53-64, 67-75, 76; statistics of, 78. *See also* Finance, International.
- Housing Problems in Vienna**, 225-229; financial situation, 225; immediate necessity for houses, 225; improved living conditions, 228, 229; misunderstanding of foreign countries, 225; rents and taxes, 226-228. *See also* Land Utilization.
- Immigration**, 8, 13-24, 194, 198, 218, 219; as factor in international relations, 13-24, 198, 219; as cause of international friction, 21, 194, 218, 219; discouragement of, 13, 17-22; effect of on character of population, 8, 20, 218; encouragement of, 13, 15; French policies of, 16, 17; House Committee on Immigration and Naturalization, 18; policies of British Dominions, 14, 15; selective policy of, 17-22, 219; South American policies of, 15, 16; United

- States Immigration Commission, 13. *See also* Population Problems.
- Imports; *see* Commerce, International, and Commercial Policies.
- International Relations, Factors in; *see* Commerce, International; Commercial Policies; Communications, International, Electrical; Emigration; Finance, International; Immigration; Labor Conditions; Monroe Doctrine; Nationalism; Raw Materials; Tariffs and Duties; Transportation, International.
- Labor Conditions; abroad, 105, 113, 114, 227, 229, 239-241; as affecting international relations, 198. *See also* Living Conditions and Unemployment.
- Land Reform in Czechoslovakia, 264-272; broad purpose of, 266; causes of, 266-269; methods of, 269-271; necessity for, 269; protecting small tenant farmers, 264; results of, 271, 272.
— in Mexico, 238-247; conditions prior to the revolution, 238-241; distribution of lands, 243-247; establishment of rural villages, 242.
- Land Utilization in Czechoslovakia, 262-272; forest regulation, 263-264; land reform, 264-272. *See also* Expropriation of Land.
— in Denmark, Encouragement of, 230-237; by distribution of glebe lands, 236; by legislation, 230-231; by public loans, 232-233; by regulation of land management, 235-236; by regulation of land prices, 233-234; by taxation on land values, 237.
— in Germany, Rural, 273-287; activity of Settlement Commission, 274-276; conditions in rural districts, 286-287; division of large estates, 273, 277-280; financial provisions, 275, 280, 281; public guidance, 273-287; statistics of settlement, 276, 282-285. *See also* Housing Problems in Vienna.
— in Mexico, 238-247; expropriation of large plantations, 243-246; growth of rural villages, 242; prior to the revolution, 238-241.
— in Poland, 248-261, 288-293:
- Agricultural conditions, 288-293; agricultural structure, 290-292; government policies, 293; labor conditions, 292; physiography, 288; population, 290; postwar development, 289.
- Postwar municipal development, 248-261; acute need for, 248-249; financial provision for, 248; government provision for, 248; organization of, 249-255; taxation for, 252, 255, 256.
- Public enterprises, 256-261.
- Latin America, 141-143, 167-178, 188, 189, 191, 206; economic conditions in, 168-172; foreign investments in, 171-178, 188, 189, 206; political organization of, 170; relations of, with the United States, 167-178, 188, 189, 191; tariff trends in, 141-143.
- League of Nations, 26, 31, 55, 102, 122, 123, 134, 146, 184, 186, 191, 192-219; activity regarding communications and transportation, 26, 31; cognizance of European tariffs, 122; Consultative Committee of, 208; Economic Commission of, 123, 134, 192, 196, 208; efforts toward economic peace, 186; Memoranda by Professors Bonn and Siegfried, 192-219; publication of, regarding commerce, 186; quotation from report of Economic Conference of, 146; requirement of, regarding mineral exploration, 102; resolution sent to Conference of, 191; supposed attitude of, toward reparations bonds, 55; United States' attitude toward, 184.
- Legislation; Act of 1844, 76; Act of 1917 (immigration), 19; Act of 1924 (immigration), 19; Act of December 17, 1918 (Czechoslovakia), 263, 264; Act of April 11, 1919 (Czechoslovakia), 265; Act of April 16, 1919 (Czechoslovakia), 269, 270; Act of May 27, 1919 (Czechoslovakia), 264; Act of October 30, 1919 (Czechoslovakia), 264; Acts of 1919 (Denmark), 234-237; Act of January 30, 1920 (Czechoslovakia), 265; Act of April 8, 1920 (Czechoslovakia), 270; Act of July 21, 1921 (Czechoslovakia), 265; Act of February 18, 1922 (agricultural), 148; Act of 1922 (tariff), 156, 158, 159, 161; Act of 1924 (Denmark), 232; Act of April 3, 1925 (Denmark), 230, 231; Act of February 29, 1928 (Czechoslovakia), 263; Alien Contract Labor Law of 1885, 13; Allocation Act, January 30, 1920 (Czechoslovakia), 270; Austrian Civil Code, 262, 263; Canadian tariff revision of May 1, 1930, 141; Czechoslovak Housing Acts, 263; *Ejido* legislation (Mexico), 243, 244; Emergency Quota Acts, 19; Emergency Tariff Act of 1921, 159; Exclusion Act of 1882, 18; Farm Leasing Law (Germany), 274; Federal Land Settlement Law (Germany), 277, 279, 281; Fordney-McCumber Law (tariff), 120, 124; Jones-White Act, 34; Land Reform Acts (Czechoslovakia), 264; Law of July 15, 1920 (Poland), 293; Law of December 22, 1925 (Poland), 293; Leasing Act, 99, 103; Merchant Marine Act, 1920, 34; Navigation Acts, 118, 119; Pacific Island Labourer's Act of 1901, 20; provisional legislation of 1918 (Denmark), 230; Refugee Land Settlement Law (Germany), 281; Restriction Act, 92; Seamen's Act, 38; Sherman Act, 103; Stevenson Act, 92, 93; Tariff Act of 1930, 156-158, 161; Webb-Pomerene Act, 109, 148.
- Living Conditions and Wages, as affected by: foreign competition in export markets, 23; immigration, 20, 22, 218; industrialization, 199; taxation, 182-183.
- Minerals, 98-104, 210, 211; as factor in international relations, 102-104, 210; government policy toward, 99-104; increased consumption

- of, 101; monopoly of, 102, 103, 210. *See also* Copper.
- Monroe Doctrine, 190.
- Nationalism in: economic development, 121, 187, 188; egotistical attitudes, 167; emigration, 23; finance, 72, 206; trade restrictions, 128-129, 188, 202.
- Organizations, International; International Chamber of Commerce, 31, 68, 95, 104, 122, 127; International Labour Office, 24; International Postal Union, 30; International Union of European Railways, 28; League of Nations Court, 55, 184; Permanent Court of International Justice, 29, 97; Reparations Commission, 62. *See also* League of Nations.
- Population Changes, Effect of, on: business, 5, 6; farmers, 4, 5; housing conditions, 1; unemployment, 2, 5.
- Population Problems, 1-24, 193, 194, 197-199, 209, 218, 219; as factors in international relations, 13-24, 193, 194, 197-199, 209, 218, 219; changing attitude toward, 1; war as relief for overpopulation, 12. *See also* Birth Control; Emigration; Immigration; Population Changes; Population Trends.
- Population Trends in: Australia, 4; English Canada, 4; United States, 4; Western and Northern Europe, 3, 4.
- Radio, 30, 31, 40-46, 50, 154; as aid to international understanding, 42-46, 154; history of, 41-42; international character of, 30, 31, 40; progress of, 42, 44; quality of, 40, 41; special services of, 50.
- Raw Materials, 85-88, 98-111, 114-116, 147, 159, 188, 189, 194, 195, 203, 204, 210, 211; as factor in international relations, 85-88, 147, 159, 188, 189, 194, 195, 203, 204, 210, 211; competition for, 85-88, 203; control of, 89-97, 194, 203, 204, 210, 211; European agreements regarding exportation of, 152; tariffs on, 105-111, 115, 147, 149, 152, 159, 163, 195; United States importation of, 147; United States need for, 85-88, 98, 99, 188, 189; United States production of, 86, 98; world allocation of, 184. *See also* Copper and Minerals.
- Tariffs and Duties, 33-39, 117-166, 175, 176, 179-182, 186, 188, 195, 197, 199, 201, 202; as retaliatory measures, 94, 159-160, 165; British trends in, 138-141; difference between European and United States, 158; discrimination in, 36, 88; equality of treatment in, 153, 158, 159; European trends in, 129-138, 149-150; flexible, 156, 157; high, in postwar reconstruction, 121-124; in English and French history, 119; in Franco-Italian relations, 120; in German and Austrian history, 119; Latin American trends in, 141-143; need for revision of, 104; of United States as affecting international relations, 124, 147, 148, 155, 157, 158, 160-166, 188; on Serbian pigs, 121, 202; Oriental trends in, 143, 144; protective, on minerals, 100; protective, throughout Europe, 120; required on copper, 105-111, 115; sectional requirements in, 162; United States Tariff Commission, 154, 156, 157; United States trends in, 147, 148, 188; unsettlement in, 126-129; world trend in, higher, 159, 186.
- Telephone, International; rapid advancement of, 51, 52.
- Transportation, International, 25-39, 154, 196, 204, 209, 212-214; air navigation, 29, 154; European rivers, 26-27; merchant marines, 25-39; North American waterways, 27; organization, 25-29; railroads, 27, 28, 154; work of United States Shipping Board, 35.
- Treaties, Economic; Anglo-French treaty of 1860, 120; commercial convention of March 25, 1930, 135, 152; commercial treaties, 18, 148, 152, 160; Convention for Abolition of Import and Export Prohibitions and Restrictions, 95; convention for simplification of customs formalities, 152; Hay-Pauncefote Treaty, 214; International Air Navigation Convention, 29; International Postal Convention, 30; International Radio Convention, 31; Protocol of December 5, 1929, 152; regarding communication, 25; regarding trade restrictions, 132, 133; regarding transportation, 25-28; trading treaties between Carthage and Rome, 118.
- , Political; bilateral European treaties, 16; Gentleman's Agreement, 19, 20; Kellogg Pact, 57, 154, 161; London treaty for limitation of naval armament, 154, 161; treaty of 1868 (Chinese immigration), 18; Versailles, 27, 54, 56, 58, 61, 62, 68, 73, 74, 121, 217, 270; Vienna, 61; Westphalia, 53, 57.
- Unemployment, as affected by: commercial policies, 151; copper importation, 110; immigration, 14; personal efficiency, 7; population growth, 2, 5; production and consumption, 187. *See also* Labor Conditions.
- "United States of Europe," 134, 187.
- War, Causes of; economic, 66, 187, 192-219; financial, 66-68, 189-191, 195; political, 66, 209; population problems as, 193-194, 198, 218, 219; psychological, 65, 190-191, 202, 203, 209, 211-212.
- World Economic Unity, 146-155, 166, 179-186, 207. *See also* "United States of Europe."
- Young Plan, 55, 62, 68-74, 76.

INDEX TO NAMES

Adams, Charles Francis, 43.
 Armstrong, Frank C., 105, 112, 114, 115, 116.
 Astor, Lady, 43.

Bagehot, Walter, 76.
 Baldwin, Stanley, 139, 140.
 Balfour, Arthur, 122.
 Barbour, Percy E., 112, 116.
 Barthélemy, Joseph, 187.
 Beaverbrook, Lord, 139.
 Bellegarde, Dantès, 186.
 Bellinger, H. C., 112, 113.
 Binns, Jack, 41.
 Bismarck, 120.
 Bonn, J., 97, 192.
 Briand, Aristide, 123, 124, 134, 138, 187.
 Brill, 249.
 Brossard, Edgar B., 154.
 Buell, Raymond Leslie, 191.
 Bynkershock, 57, 58.
 Byrd, Richard E., 44.

Calles, Plutarco Elias, 246.
 Cecil, Viscount, 43, 44.
 Chalmers, Henry, 126.
 Chamberlain, Joseph P., 25.
 Chevalier, Maurice, 45.
 Cicero, 61.
 Clark, J. Reuben, 190.
 Clemenceau, 61, 184.
 Clinton, General, 54.
 Cobden, Richard, 120, 182.
 Colbert, 119.
 Confucius, 153.
 Cornwallis, Lord, 54.
 Cromwell, 118.
 Crucé, Emeric, 121.
 Cumberland, W. W., 167, 179, 183.
 Cutter, Victor M., 191.

Davis, James J., 22.
 De Forest, Lee, 41.
 Dennis, Alfred Pearce, 162, 179, 181.
 Diaz, Porfirio, 240, 241.
 Dillon, E. J., 190.
 Doheny, Edward, 179.
 Drury, Horace B., 33.
 Dunin, Edmund, 248.

Edminster, Lynn Ramsay, 89, 102.
 Elizabeth, Queen, 118.
 Ellis, Havelock, 8.

Fairchild, Henry P., 7.
 Ferguson, Colonel, 86.
 Foch, Marshal, 58, 60.
 Ford, Henry, 165, 180.

Frank, Tenney, 118.
 Freundlich, Emmy, 225.

Garner, James W., 191.
 Gentilis, 58.
 George III, 74.
 George V, 42.
 Gibson, Hugh, 43.
 Gordon, 54.
 Graham, 69, 135.
 Grandi, Dino, 42.
 Gregory, T. E. G., 10.
 Grotius, 57, 58, 60.
 Grundy, George Beardoe, 117.
 Grundy, Joseph, 180.

Hantos, Elemér, 186.
 Harding, Warren G., 37, 147.
 Hayes, Rutherford B., 18.
 Hillel, 153.
 Hoover, Herbert, 92, 103, 187, 188, 189, 190, 191.
 House, Edward M., 53.
 Howe, General, 54.
 Hymans, Paul, 135.

Ibañez del Campo, Carlos, 114.

James, F. Cyril, 76.
 Johnson, Albert, 18.
 Jordan, Virgil, 65.

Key, Helmer, 10.
 Kohl, 120.
 Kristensen, K. J., 230.
 Kuczynski, Robert R., 1, 8, 10, 16.

Lamont, Thomas W., 54, 62.
 Lauder, Harry, 45.
 Lee, Charles, 54.
 Leger, Abel Nicolas, 191.
 Leith, Charles K., 85, 98.
 Lerch, Rudolf, 273, 278, 279.
 Lingelbach, William E., 117.
 Lloyd-George, David, 54, 55, 61, 64.
 Louis XVI, 119.
 Ludwig, Emil, 153.

MacDonald, Ramsay, 42, 43, 182.
 Macmahon, Edna Cers, 13.
 Madden, 82.
 Malthus, 10.
 Marconi, Guglielmo, 41.
 Masaryk, Thomas, 272.
 Maslov, Sergius, 266.
 McClure, Wallace, 146.
 McFadden, Louis T., 53.
 Meoplitza, 254.

- Michelis, G. de, 266.
 Mills, Ogden L., 146.
 Morgan, J. P., 122.
 Morley, Felix, 124.
 Morrison-Bell, Clive, 122.
 Morrow, Dwight, 11.
 Motherwell, Hiram, 187.

 Nadler, 82.
 Napoleon I, 119.
 Nehemiah, 164.
 Norman, Montagu, 122.
 North, Lord, 53.

 Obregon, Alvaro, 244.

 Paley, William S., 40.
 Palmerston, Lord, 63.
 Parsons, A. B., 112.
 Pavel, Antonin, 262.
 Pershing, John J., 58, 59.
 Pilate, Pontius, 65.
 Pitt, 53, 119.
 Plato, 162.
 Ponikowski, Wacław, 288.
 Puffendorf, Samuel, 58.

 Redding, Lord, 53.
 Redfield, William, C., 85.
 Reed, David A., 19, 43, 154.
 Restrepo, 146.
 Robinson, Joseph, 19, 43.
 Roosevelt, Theodore, 184, 190.
 Rorty, M. C., 47.
 Rothermere, Lord, 139.
 Rubio, Ortiz, 246.
 Russell, Bertrand, 85.

 Sanger, Margaret, 11.
 Schacht, Hjalmar, 81, 122.
 Scholz, Karl, 273.
 Schwerin, von, 277.
 Sering, M., 277, 278.

 Siegfried, André, 14, 192.
 Sinclair, Harry, 179.
 Smith, F. E., 58.
 Snowden, Philip, 43, 182.
 Spann, Othmar, 147.
 Stimson, Henry L., 42, 43, 44, 190.
 Stone, H. F., 25.
 Stowell, Lord, 58.
 Suretsky, 249.
 Strong Benjamin, 67.

 Taff, William H., 44.
 Tannenbaum, Frank, 238.
 Tardieu, André, 42.
 Thomas, Albert, 24.
 Thomas, Norman, 179.
 Thompson, Warren, 11.
 Thucydides, 117.
 Toynbee, Arnold J., 32.

 Vattel, 57, 58.
 Vitoria, 57.

 Waite, Chief Justice, 25.
 Wakatsuki, 42.
 Wallace, Benjamin B., 91.
 Washington, George, 54, 84.
 Weed, Helena Hill, 191.
 Weeks, John W., 86.
 Wemyss, General, 58, 60.
 Wheaton, 57, 58.
 Wile, Frederick William, 43.
 Wilson, Woodrow, 37, 42, 54, 58, 59, 60, 61, 62, 64, 123.
 Winkler, Max, 188, 189.
 Withers, Hartley, 70.
 Woll, Matthew, 182.

 Young, Owen D., 62, 84, 187.

 Zapata, 244.
 Zavovsky, 252.

